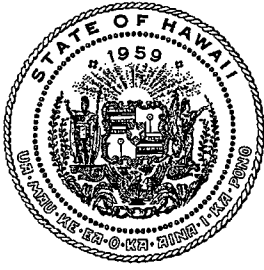


HB 2598 HD 1



Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaitourismauthority.org

LINDA LINGLE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Telephone: (808) 973-2255
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Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority

on

H.B. 2598, H.D. 1

Relating to Transient Accommodations Tax

Senate Committee on Tourism

Senate Committee on Transportation, International and Intergovernmental Affairs

Monday, March 15, 2010

1:15 p.m.

Conference Room 224

The Hawai'i Tourism Authority (HTA) offers comments on H.B. 2598, H.D. 1, which provides that the distribution of the transient accommodations tax (TAT) to the counties shall be the lesser of 44.8 percent of TAT revenues or \$94,355,000 for five years.

In 1990, Act 185 was enacted to provide a more equitable method of sharing state revenues with the counties, in lieu of grants-in-aid. In passing this law, the Legislature noted that "...many of the burdens imposed by tourism fall on the counties." The pressures of the visitor industry mean greater demands on county services, such as providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism-related infrastructure. The distribution of the TAT to the counties is meant to provide the counties with a "stable and continuing source of revenue... that will enable the counties to provide for their needs." (Conference Committee Report No. 207 (1990)).

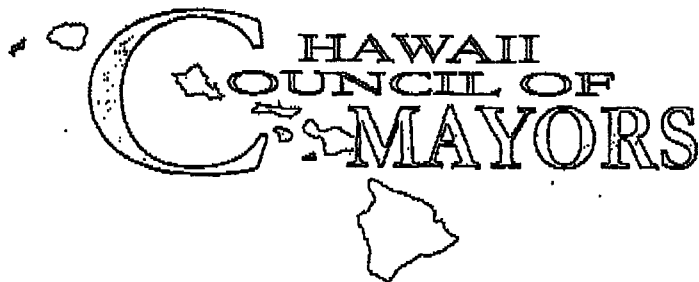
The HTA which developed the *Hawai'i Tourism Strategic Plan: 2005-2015* in 2004, with stakeholders in government, industry and the community throughout the state, recognizes that the counties are important partners in achieving the vision of the plan. Specifically, our county partners are an integral part of maintaining and preserving the Hawai'i brand and enhancing the "experience" of our visitors. This includes the upkeep of counties' parks and beaches as well as the maintenance water, roads, and sewage systems. Additionally, the counties' police and fire departments are very important to the safety and security of Hawai'i's visitors.

Preserving the distribution of the TAT to the counties is important for the ability of the counties to provide these services to the visitor industry.

The HTA acknowledges that it is a different world today, that the State of Hawai'i is facing a fiscal crisis and that this is a difficult policy decision.

Thank you for the opportunity to provide these comments.





Testimony of the

Hawaii Council of Mayors
 Bernard Carvalho, Jr., Mayor of Kauai County
 Mufi Hannemann, Mayor of the City and County of Honolulu
 William P. Kenoi, Mayor of Hawaii County
 Charmaine Tavares, Mayor of Maui County

Before a Hearing of the
Senate Committee on Tourism
Senate Committee on Transportation, International and Intergovernmental Affairs

March 15, 2010

House Bill 2598, HD1 Relating to the Transient Accommodations Tax

The Hawaii Council of Mayors (HCOM) supports House Bill 2598, HD1 which continues the distribution of transient accommodation tax (TAT) revenues to the counties, albeit at a level capped at 44.8 percent of the total revenues collected or \$94,355,000, whichever is less.

The mayors are united in our opposition to any proposal to fully suspend the distribution of TAT revenues to the counties. However, we recognize and empathize with the State's fiscal challenges, as we face many of our own at the county level. Consequently, while HB 2598, HD1 limits the amount of TAT revenues distributed to the counties, we appreciate the fact that the bill does not fully deprive the counties of this critical revenue source.

HB 2598, HD1 acknowledges the role county governments have in supporting tourists and our visitor industry. County governments maintain the public safety services, water and sewer infrastructure, roads, transportation, parks, and public facilities that support and benefit the visitor industry. We are each submitting county-specific testimony that details the services provided by our counties.



Mayor Billy Kenoi
 County of Hawaii
 25 Aupuni Street
 Hilo, Hawaii 96720



Mayor Mufi Hannemann
 City and County of Honolulu
 580 South King Street
 Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.
 County of Kauai
 444 Rice Street
 Lihua, Hawaii 96768



Mayor Charmaine Tavares
 County of Maui
 200 South High Street, 8th Floor
 Wailuku, Hawaii 96793

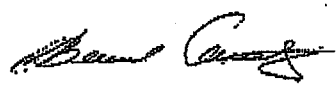


Reductions in TAT funding would have a direct impact on the very industry that generates the hotel room tax revenues. And, we might also note that those revenues partially fund our police departments, whose officers issue the traffic citations that generate millions of dollars in revenue for State coffers.

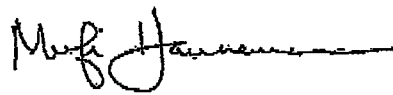
The HCOM supports HB 2598, HD1 and ask for the committees' approval.

Mahalo.

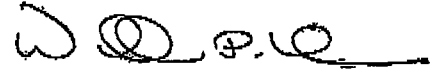
Aloha,



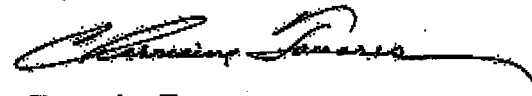
Bernard P. Carvalho, Jr.
Mayor of Kauai



Mufi Hannemann
Mayor of Honolulu



William P. Kenoi
Mayor of Hawaii



Charmaine Tavares
Mayor of Maui



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MUFI HANNEMANN
MAYOR

KIRK W. CALDWELL
MANAGING DIRECTOR

TRUDI S. SAITO
DEPUTY MANAGING DIRECTOR

March 15, 2010

The Honorable Clarence K. Nishihara, Chair
and Members
Senate Committee on Tourism
The Honorable J. Kalani English, Chair
and Members
Senate Committee on Transportation, International and
Intergovernmental Affairs
The Twenty-Fifth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Chairs Nishihara and English and Committee Members:

Subject: House Bill No. 2598, HD1 Relating to Transient Accommodations Tax

The City and County of Honolulu (City) supports H.B. No. 2598, HD1, Relating to Transient Accommodations Tax. The HD 1 version of this legislation continues the distribution of transient accommodation tax (TAT) revenues to the counties, albeit at a level capped at 44.8 percent of the total revenues collected or \$94,355,000, whichever is less.

The City is opposed to any proposal to fully suspend the distribution of TAT revenues to the counties. However, we recognize and empathize with the State's fiscal challenges, as we face many of our own at the county level. Consequently, while HB 2598, HD1 limits the amount of TAT revenues distributed to the counties, we appreciate the fact that the bill does not fully deprive the counties of this critical revenue source. HB 2598, HD1 acknowledges the role county governments have in supporting tourists and our visitor industry.

Before addressing why we believe the TAT is an integral resource for our effort to provide services to our visitors and the tourism industry, I would like to take this opportunity to first respond to comments by some suggesting the City has not taken appropriate actions to reduce the City's budget and, therefore, does not need the TAT. Nothing could be further from the truth.

When we began preparing the FY 2011 budget for submittal to the City Council on March 2, we were faced with a projected shortfall of \$140 million. However, our efforts to address this shortfall actually began two years ago. If you will recall, the economic collapse was evident by the end of the first quarter of calendar year 2008. As soon as we got a hint of what was looming, we took immediate action. Even as the City's Fiscal Year 2009 budget was being enacted into law in July 2008, the Mayor ordered agency FY 2009 budgets to be restricted by two and three percent, depending on the size of each agency.

However, the economy continued to slide over the course of the summer causing havoc with the credit market and threatening the City's financial position. In response, we implemented additional, specific spending restrictions on all agencies in November 2008. These restrictions included a freeze on the hiring of position fills, a restriction on agency reorganizations and reallocations resulting in the establishment of new higher level positions, a deferral on the purchase of equipment, a restriction on travel, and a restriction on unbudgeted leases of equipment and office space.

With these restrictions and budget cuts, we were able to weather FY 2009. However, these actions simply were not enough to address what our Budget Department had estimated as a \$50 million shortfall in FY 2010, the fiscal year that began this past July 1. Therefore, we imposed further cuts on our agencies by performing detailed line-by-line reviews. As a result, 12 City agencies have smaller budgets this fiscal year than they had in FY 2009.

In addition, we aggressively cut the salaries of vacant positions, saving \$36.3 million, which is equivalent to cutting 806 positions. And, we also cut the salaries of all Executive and Cabinet positions by 5 percent, and we froze the salaries of our excluded managerial employees.

The challenge of an accelerating budget crisis demanded a review of every element of the City budget, particularly for those fees tied to services that are heavily subsidized by the General Fund. This allows for greater equity in that the consumers of City services cover a fair share of the expenses. Consequently, the Mayor proposed, and Council approved, multi-year fee increases for services such as golf courses, the zoo, and the City bus system. In addition we enacted a multi-year motor vehicle weight tax increase. And, as a last resort, we worked with the City Council to increase the real property tax rate on residential homeowners.

Even after taking all of these actions, we began FY 2010 with a projected \$140 million shortfall for next year's FY 2011 budget. To address this new shortfall, and bearing in mind that the Real Property Assessors are anticipating even steeper drops in property assessments for FY 2012, this past July, the Mayor ordered an additional 4.5 percent restriction on all current non-public safety agency budgets. In addition, we are continuing our specific restriction on hiring and expenditures such as travel, equipment, and leases.

With respect to labor cost savings, we are working to finalize furlough plans of two days a month for our HGEA employees for execution on July 1. And, subject to ratification, we anticipate executing similar furlough plans for our UPW employees.

Our aggressive budget cutting action and our willingness to raise revenues to address the budget crisis were commended by three national rating agencies when they recently reaffirmed our double A bond ratings. However, as the City Council proceeds to consider the FY 2011 budget we just submitted, we were concerned about proposals such as the original version of H.B. 2598, the enactment of which would have increased our shortfall by \$43 million and further jeopardize the City's financial position.

The TAT clearly is an important part of the City's base budget. It certainly helps to defray the cost of the wide array of services we provide for our tourists and the visitor industry. And, tourists certainly tax our community's infrastructure – roadways, solid waste disposal system, and wastewater system.

Certainly first and foremost, we pride ourselves on providing a safe community for our residents and visitors alike. This is reflected in the annual budgets which reinforce our belief in the primacy of public safety. Unfortunately, however, our visitors are not immune to the criminal elements in our city. In 2009, the Honolulu Police Department (HPD) recorded 59,651 victims of crimes, of which 4,327 were visitors.

Annually, HPD expends about \$12 million to operate its District 6 unit which provides services to the visitor industry in Waikiki. There also is an island-wide impact whenever visitors travel and require police services. However, it is not possible to precisely separate the costs associated with the investigation and documentation of these crimes. In addition to the direct costs of managing these cases, there are other expenses including, the salaries and benefits paid to police officers to patrol and prevent crimes, police vehicles, traffic enforcement, administrative and support services, facilities maintenance, and other indirect costs.

The Honolulu Fire Department (HFD) is responsible for ensuring our visitor accommodations and visitor entertainment centers are properly fire protected. And, it also is an integral part of our City's first responder team that responds to rescues and medical emergencies, as well as fire alarms. HFD estimates it spends about \$1.3 million annually to serve tourists and the tourism industry for the following purposes:

- | | |
|---|-------------|
| - Annual inspection of hotels and businesses | • \$150,000 |
| - Annual inspection of fire protection systems | • \$ 14,000 |
| - Review of fire protection plans for new construction in Waikiki | • \$ 7,000 |
| - Night inspection of hotel nightclubs | • \$ 10,500 |
| - Evacuation, extinguisher, and other training of hotel staff | • \$ 2,800 |
| - Response to approximately 2,430 alarms in Waikiki | • \$850,000 |



- Response to 51 alarms at Diamond Head trail • \$ 57,120
- Tourist-related incidents in areas outside of Waikiki • \$ 80,000
- Training costs • \$150,000

City lifeguards provide services for just about every tourist who ventures onto Oahu's beaches, whether in Waikiki or on the North Shore. Lifeguards perform over 1,700 rescues each year on Oahu, and they take preventive action 340,000 times per year, so that people do not end up being a rescue statistic.

If just \$1 million were taken from the Ocean Safety Division's budget, the resultant loss would mean 34 fewer positions, equating to no lifeguard services for any of the 6.8 million people in attendance on Waikiki Beach every year. If \$1 million were cut from the Emergency Medical Services Division budget, the impact would necessitate closing a 24-hour ambulance unit and reducing hours at a second unit. There were 6,144 emergency calls to 911 for the Ala Moana and Waikiki area in calendar year 2009. This equates to an average of over 500 calls per month to Honolulu's tourism center. Such a reduction in services would impact a significant area beyond Waikiki as ambulances from other units will have to respond to those calls. This will cause a domino effect that will be felt all the way out to Aiea, and into Waipahu and Waipio.

All of our public service agencies are on-call to serve visiting dignitaries. However, special visitors such as the U.S. President and the Emperor of Japan require tremendous amounts of additional resources. For example, the recent visit by President Obama required a quarter of a million dollars in unbudgeted, non-reimbursable, HPD overtime costs. And, preparations for the Fall 2011 Asia-Pacific Economic Cooperation conference will require the City to expend upwards of \$28 million over the next two years, an estimated \$14 million of which will be required in FY 2011.

Serving our tourism industry goes beyond ensuring their safety. Our visitors clearly avail themselves of the City's parks and recreational facilities and services. Two major parks serve as Waikiki's bookends - Ala Moana and Kapiolani. Kapiolani Park and Kuhio Beach Park are the largest green spaces and recreational areas in Waikiki proper. They are used from 5 a.m. to 12 a.m. daily. Active and passive recreational activities draw between 6,000 to 10,000 people per day to the area. Special events, cultural festivals, such as the dramatic torch lighting ceremony and other attractions escalate the numbers exponentially. The Department of Parks and Recreation (DPR) estimates that at least 75 percent of these park users are visitors. Due to the number of people using the park, maintenance operations are scheduled from 6 a.m. to 11 p.m. daily. These are the only DPR facilities that have multi-shift, seven days a week operations. The restrooms in these areas are cleaned as many as six times a day compared to our normal once a day cleanings in most of our inland parks.



From Waimanalo to Mōkuleia, the majority of our park users are not residents. Most of the beach goers between 9:30 a.m. and 4:00 p.m. are tourists. Sunset Beach, the Banzai Pipeline at Ehukai Beach Park, Rock Piles, Waimea Bay, Laniakea, Chun's Reef, Puena Point, Haleiwa, Alii and Velzyland are all must-see beaches for visiting surfers and beach-loving tourists. All of these sites are on City parklands.

In addition, DPR maintains campsites at Waimanalo Beach Park, Waimanalo Bay Beach Park, Kuāloa Regional Park, Swānzy Beach Park, Hauula Beach Park and Kaiaka Bay Beach Park that are regularly used by economy-minded tourists or tourists wanting to experience a different or a quieter Hawaii. DPR's staff interacts with visitors every day, sometimes sharing with them stories and insights into the Hawaiian culture, sometimes helping them when they are lost or need assistance. The park staff has added to many a visitor's Hawaii experience because of their Aloha.

The estimated cost of recreational and maintenance operations in the Kapiolani Park and Kuhio Beach area are approximately \$3 million annually. The cost to maintain the beach parks along the Windward and North Shore areas is approximately \$3.7 million annually.

Our Department of Enterprise Services also plays a major role in serving our tourism industry. The Honolulu Zoo has about 300,000 tourists visit each year. Located on the edge of Waikiki, it offers a first rate attraction that is completely funded by the City, which in recent years has poured close to \$10 million dollars in facility and habitat improvements.

The City's six municipal golf courses have offered budget-conscious visitors the opportunity to participate in this popular activity which is again funded 100 percent with City monies. And, the City also is responsible for the concessions on Waikiki beach that provide recreational beach equipment for the millions of tourists that frequent the beach.

Entrance and user fees for the Zoo and other entertainment venues such as the Waikiki Shell and the Neal Blaisdell Center do not cover the cost of operations. The City's General Fund subsidizes these venues to the tune of \$9 million annually. And, the golf course operations are subsidized by over \$11 million in General Funds annually.

Even the Royal Hawaiian Band plays a role in enhancing the tourist experience in Honolulu. The Band annually plays 48 performances on the Kapiolani Park bandstand, 48 performances on the grounds of the Iolani Palace, 22 performances in Ala Moana Center, and 22 performances in the Royal Hawaiian Center. Additionally, the Band participates in nine parades through Waikiki and performs in six ethnic festivals. With a prorated cost of approximately \$7,400 for each performance, our visitors annually enjoy over \$1 million in performances.



All of these tourist attractions combine to provide a meaningful experience for our offshore visitors and have done so without any other support from the State than monies from the TAT. And to take in those sites, many of our visitors avail themselves of the City's award-winning municipal bus service.

Tourists also impinge upon our City's infrastructure. They rent cars and tour the island on coaches that traverse our roadways. While it is impossible to specifically determine the tourist-related cost of maintaining those roads, the City has spent over \$77 million in each of the last two years for basic and emergency road repairs. In addition, working with the Waikiki Business Improvement District, the City's Department of Facilities Maintenance is working to improve the sidewalks in Waikiki, and DPR's staff maintains the greenery along the Kuhio and Kalakaua thoroughfares.

The City Department of Environmental Services (ENV) provides critical services for our tourists. While tourists generate significant solid waste, that waste is collected from hotels and related venues by private haulers who bring it to either H-powder or the landfill and pay appropriate tipping fees that are designed to cover the cost of operation/disposal. However, our visitors also avail themselves of alternative housing opportunities, such as transient vacation units and bread-and-breakfast housing. While ENV's Refuse Division provides trash collection services to these facilities, the tipping fees are insufficient to pay for their operations, and they require an annual subsidy of over \$97 million from the City's General Fund.

All sewer system-connected hotels and related venues pay sewer service charges to cover the costs of operating and maintaining the wastewater system. If additional capacity is required to support tourist related activities the developer pays a system facilities charge or builds the capacity and dedicates it to the City.

The storm water system, on the other hand, is financed by both the City's General and Highway Funds. Priority is given to protecting the recreational waters in tourist areas like Waikiki, Hanauma Bay, and others through various projects including Storm Drainage Best Management Practices and the Small MS4 permit programs. One example is the request for \$1.1 million for the Hanauma Bay NPDES Small MS4 permit program. These programs protect near shore water quality, and the debt service to pay for this improvement comes from the City's General Fund.

Finally, the City's capital budget includes a multitude of projects to improve and enhance Waikiki. (A listing of those Waikiki capital projects is attached.) With the exception of the sewer projects, the other construction projects are financed with General Obligation bonds, with debt service paid for with General Funds.

As you can readily see, the City spends a considerable amount of money on tourists and tourism-related services and projects. Other than the TAT, we do not receive any other funding from the State to help pay for these expenditures. And, we certainly do not share in the revenues generated from fines levied pursuant to HPD's enforcement of the State's traffic laws. Knowing, too, that the TAT was first enacted in

lieu of grants-in-aid to the counties, and that there is a constitutional prohibition on the State from mandating new programs on the counties or increasing the level of service of existing programs without providing corresponding funding to the counties, elimination of the TAT for counties would force us to document and disclose those programs the State has imposed upon the counties without proper constitutionally mandated funding.

We have taken responsible actions to address projected budget shortfalls while ensuring the safety of our residents and visitors alike. Any action on the part of the Legislature to suspend the counties' share of the TAT will be deleterious to the City and our efforts to maintain a visitor-friendly environment.

It is for these reasons that the City appreciates the fact that, rather than suspending the distribution of TAT revenues to the counties, H.B. No. 2598, HD1 continues the distribution of those monies to the counties, even at a limited level. The City supports H.B. No. 2598, HD1 and asks for the committees' approval.

Yours truly,



Kirk Caldwell
Managing Director

Attachment



DDC PROJECTS PLANNED AND ONGOING IN WAIKIKI AREA

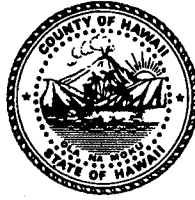
| Department of Design and Construction | | | | | | |
|--|---|----------------|---------------------|------------------|--------|--|
| Ongoing projects in Waikiki as of 1/11/2010 | | | | | | |
| PROJECT NAME | DESCRIPTION | CONTRACT NO. | ESTIMATED COST (\$) | ACTUAL COST (\$) | STATUS | COMMENTS |
| | | | | | | |
| Beachwalk WWPS to Ala Moana Park Sewer Phase I - Force Main System (SI-PS-10) | The complete project includes the replacement/upgrade of the existing WWPS and installation of a new force main. The "Phase 1" portion will install the new force main. | CT-DDC-0900444 | \$37,112,100.00 | | 0 | NTP for construction on 11/3/09. |
| Port DeRussy Wastewater Pump Station Interim Modification | Rehabilitation of the pump station structure and replacement of the two storm pumps with VFD and salvage of the motors. | CT-ENV-0700290 | \$343,375.00 | | 33 | construction ongoing. Project start delayed due to changes to the pump shafts. |
| Honolulu Zoo Accreditation Requirements Design Build - FY 2007, Part 1 | Repair public walkways, install public barriers, install hippo filtration system, renovate primate exhibits, build giraffe restraining chute | AB3630 | \$461,000.00 | | 0 | design build contract ongoing. |
| Honolulu Zoo Accreditation Requirements Design Build - FY 2007, Part 2 | Renovate maintenance shop, rewire part of perimeter fence, renovate bird exhibits, replace alpha gazelle barn, install automatic service gate | AB3632 | \$439,000.00 | | 0 | design build contract ongoing. |
| Honolulu Zoo-Front Entrance Design Build RFP-035 | Design, construct, and inspect front entrance to Honolulu Zoo. | F81985 | \$2,747,000.00 | | 0 | Ground breaking for construction was on November 18, 2009. Anticipated to complete in 2011. |
| Kalaka'ua Ave Sewer-Rehabilitation - Kalaka'ua Ave portion (SMPR 27 portion) | Preparation of Design Alternatives Report and 10% design. | CT-ENV-0700321 | \$3,960,749.00 | | 0 | Construction to start in early 2010. |
| Kaplanian Area Revised Sewer System (SCIP 16 portion, SCIP 26 portion, SMPR 12, SMPR 16) | Sewer Line Rehabilitation/Replacement in Kaplanian Area. | CT-ENV-0700399 | \$11,711,311.00 | | 99 | construction ongoing. anticipated completion 08/10 |
| Rehabilitation of Streets, Unit 62 (Ala Wai Blvd) | Rehabilitate portion of Ala Wai Blvd. | CT-DDC-0900448 | \$2,130,264.00 | | 45 | Construction ongoing. |
| Waikiki Fire Station Reroofing | Reroofing of Waikiki Fire Station. | CT-DDC-1000152 | \$345,678.00 | | 0 | Low Bidder Toy's Roofing & Waterproofing Inc @ \$345,678 + \$4,667 contingency. Construction to start. |
| Waikiki Shell ADA Improvements | Replacement of the asphalt paving from the parking lot to the Waikiki Shell and the Hula Show, ADA work in the Shell building box office and ADA work in the Shell seating area | CT-DDC-0700259 | \$534,646.00 | | 98 | Work substantially complete. Purchased work remaining. |
| Waikiki Shell Fixed Seating | Renovate fixed seating. | CT-DES-0900057 | \$269,624.00 | | 0 | delegation of agreement to DES. |
| Waikiki Shell Roof Replacement | Replace roof of Waikiki Shell. | AA8354 | \$158,002.98 | | 99 | Project completed 04/07. Contract closeout-pending contractor's financial issues. |
| Ala Wai Community Park Ballfield Lighting Reconstruction | Design and construct park improvements such as upgrade ballfield lighting and replace existing park water system. | | \$2,430,000 | | 0 | FY 2010 project not started to date. |
| Ala Wai Trunk Sewer Relief (SI-CS-16 portion) | 900-ft relief sewer in Lowers between Ala Wai & Kuhio; environmental documents. | | \$4,001,000 | | 0 | Awaiting ENV decision to go design/build. Funds programmed for FY10. |
| Beachwalk Wastewater Pump Station Improvements | This project will improve the reliability of the Beachwalk WWPS. The improvements are based on the "Beachwalk WWPS Condition Assessment" dated Jan. 2008. | | \$43,000,000 | | 0 | design ongoing. construction programmed in FY 2010 |



DDC PROJECTS PLANNED AND ONGOING IN WAIKIKI AREA

| | | | | | | |
|---|--|--|-------------|--|---|--|
| Division of Urban Forestry/ Horticulture Services Administration Office Replacement | Design and construct improvements to Urban Forestry facilities. | | \$3,000,000 | | 0 | Consultant selected. Consultant procurement process ongoing. |
| Honolulu Lane and Hanalei Loop Drain Outfall Improvements | | | \$620,000 | | | |
| Honolulu Zoo - Hippo Filtration System | Hippo facility needs a filtration apparatus including tanks and catchbuckets. | | \$800,000 | | 0 | Consultant selected. |
| Honolulu Zoo AZA Improvements, FY 2009 | AZA Improvements | | \$735,000 | | 0 | Funds to be used for emergency repairs. |
| Honolulu Zoo Branding and Signage/ Wayfinding graphics, FY 2007 | Design and fabricate directional and animal graphic panels for use by the general public. The Zoo will also look at multi-lingual graphics for foreign visitors. | | \$1,300,000 | | 0 | design ongoing |
| Honolulu Zoo Branding and Signage/ Wayfinding graphics, FY 2008 | Design and fabricate directional and animal graphic panels for use by the general public. The Zoo will also look at multi-lingual graphics for foreign visitors. | | \$280,000 | | 0 | Consultant contract processed. |
| Honolulu Zoo Improvements, FY 2010 | Design and construct improvements (inclusive of energy conservation improvements) at the Honolulu Zoo. | | \$620,000 | | 0 | FY 2010 bulk fund project scopes to be determined. |
| Honolulu Zoo Parking Lot Improvements | Parking lot adjacent to Zoo will be refurbished, including resurfacing, restriping of stalls including designated handicapped areas, and upgrading of signage. Also construction of a parking attendant kiosk. | | \$800,000 | | 0 | consultant selected, consultant procurement process ongoing. |
| Honolulu Zoo - Asian Tropical Forest Elephant Facility | Construction of an elephant barrier, pool, pool filtration system, exhibit divider, landscaping and irrigation | | \$8,250,000 | | | Project to bid-out this year |
| Honolulu Zoo Wayfinding Graphics, FY 2010 | Design and fabricate directional and animal graphic panels for use by the general public. The Zoo will also look at multi-lingual graphics for foreign visitors. | | \$600,000 | | 0 | FY 2010 bulk fund project scopes to be determined. |
| Kaplan Regional Park Bandstand Redevelopment | Design the renovation of the Kaplan Bandstand, such as the public address system, basement drain, roof, and security grille. | | \$650,000 | | | Consultant contract executed. |
| Kaplan Regional Park Reconstruction of Parking Lot | Reconstruct Shell parking. | | \$3,500,000 | | | Design ongoing. |
| Kuhio Avenue Landscape Plan | Design irrigation improvements for BRT yard. | | \$380,000 | | 0 | consultant contract being closed out. |
| Ocean Safety Sub-Station District I Replacement | replacement of ocean safety substation. | | \$1,500,000 | | 0 | design ongoing. |
| Palaui Avenue Drainage Improvements | Miscellaneous improvements to include drain manholes, box culverts, and drain extensions. | | \$750,000 | | 0 | Planning and design phase ongoing. |
| Waikiki Park Improvements | Reconstruction of sidewalks and driveways at various locations such as Lewers to Kakaia, Kakaia to Kapahulu and Ala Wai to Lewers. | | \$850,000 | | 0 | consultant selected. Consultant procurement process ongoing. |
| Waikiki Seawall - Mitigative Improvements at Parks | Mitigative improvements to deteriorated seawalls. | | \$800,000 | | 0 | Awaiting development of scope and fee proposal from selected consultant. |
| Waikiki Sewer Rehabilitation/Reconstruction (SI-CS-SS) | Rehab and/or reconstruct 2110 lf of sewerlines and 45 manholes in the Waikiki area along Kuhio Avenue, deemed hydraulically and/or structurally compromised. | | \$4,100,000 | | 0 | Planning and design ongoing. construction funds programmed in FY 2009, 2010 and 2011 |
| Waikiki Shell Restroom Addition | Design and construct improvements to the women's restroom facility, such as additional stalls. | | \$450,000 | | 0 | design ongoing. |
| Waikiki Sidewalk Improvements | Plan, design, construct and inspect sidewalk improvements. | | \$7,250,000 | | 0 | Discussing scope of repairs with DFM and WIA. Consultant contract being processed. |

William P. Kenoi
Mayor



William T. Takaba
Managing Director

Walter K.M. Lau
Deputy Managing Director

County of Hawai'i Office of the Mayor

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March 15, 2010

Honorable Clarence K. Nishihara, Chair
And Members of the Senate Committee on Tourism
Honorable J. Kalani English, Chair
And Members of the Senate Committee on Transportation,
International and Intergovernmental Affairs
Hawai'i State Capitol, Room 224, 1:15 p.m.
415 South Beretania Street
Honolulu, Hawai'i 96813

TESTIMONY ON H.B. 2598 HD1, RELATING TO TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Nishihara, Chair English and Committee Members:

Thank you for this opportunity to support H.B. 2598 HD1, which would cap the four counties' share of the transient accommodation tax (TAT) at the lesser of \$94.35 million or 44.8 percent of actual TAT collections each year until June 30, 2015.

This temporary cap on the distribution of the counties' share of the TAT at the 2008-09 level represents a reasonable compromise because it shares the impact of today's unprecedented budget pain among the state and the counties. It offers the counties a degree of predictability and stability at a time when our budgets are extremely volatile, and provides a mechanism to ensure the state will quickly recoup revenue at the leading edge of the recovery when future TAT collections begin to climb.

Today you will be presented with testimony from the Mayors of all four counties, who together represent every one of your constituents. It is essential that we work cooperatively in this extremely challenging economic climate because our constituents and your constituents are exactly the same people. Both the State and Counties face unprecedented budget shortfalls, and we cannot solve these very serious problems by working at cross purposes with one another.

Honorable Clarence K. Nishihara
Honorable J. Kalani English
Page 2
March 15, 2010

From the time of the establishment of the TAT in 1986, the Legislature planned to make the Counties beneficiaries of the hotel room tax because lawmakers recognized the importance of county facilities and services to support and enhance the visitor experience. It was always understood that much of the burden of mass tourism is carried by the counties.

When a visitor calls for law enforcement help, a county police officer responds. When the visitor gets into trouble in the ocean, county lifeguards or firefighters respond. When the visitor uses sewer and water service, those are county services. The visitors drive on county roads, and use county parks. The counties haul away the visitors' rubbish.

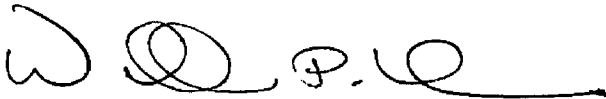
We now have more than one million tourists a year visiting the County of Hawai'i. Honolulu, Maui, Kaua'i and Hawai'i counties have relied on the TAT as a source of revenue for over 20 years and it is the second largest single source of revenue in Hawai'i County's budget – nearly \$18 million.

As you know, we in the Counties are doing our part by slashing department budgets, eliminating positions and carefully reviewing every new hire and major expenditure. I have furloughed my own staff, and will impose additional furloughs and painful budget cuts in the coming budget year.

By working together with the counties, you are helping to preserve money that pays for critical programs such as police and fire protection. HB 2598 HD 1 represents the kind of cooperation and compromise that will see us through this difficult period.

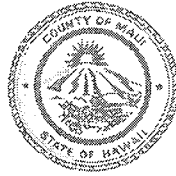
Mahalo for your consideration.

Aloha,

A handwritten signature in black ink, appearing to read 'W. P. Kenoi', with a long horizontal flourish extending to the right.

William P. Kenoi
MAYOR

CHARMAINE TAVARES
MAYOR



200 South High Street
Wailuku, Hawaii 96793-2155
Telephone (808) 270-7855
Fax (808) 270-7870
e-mail: mayors.office@co.maui.hi.us

OFFICE OF THE MAYOR
County of Maui

March 15, 2010

The Honorable Clarence K. Nishihara, Chair
and Members of the Senate Committee on Tourism and
The Honorable J. Kalani English, Chair
and Members of the Senate Committee on Transportation,
International & Intergovernmental Relations
State Legislature, Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Nishihara, Chair English and Committee Members:

RE: HB 2598 HD1-RELATING TO TRANSIENT ACCOMMODATIONS TAX (TAT)

Thank you for the opportunity to testify in support of HB 2598 HD1, which would ensure that the counties would continue to receive a share of the transient accommodations tax revenues from July 1, 2010 to June 30, 2015.

Revenue from the TAT is a vital source of funding for all counties in the State of Hawaii. The County of Maui relies on its portion of TAT revenue to assist with funding critical services, facilities, programs and government operations for visitors and residents every year.

The TAT is added to the bill that our visitors pay for staying at one of our vacation locations. The TAT is not a "hand out" from the State to the Counties - it is a share of what is generated in each county. The visitors will continue to pay the taxes, but if the State takes back our share, then we will have an additional 20 million dollar shortfall that will have to be made up by County taxpayers.

As you are already know, the State collects these taxes from all four counties, pools them together and pays out shares according to a formula that assigns the majority of the funds to the Hawaii Convention Center and to statewide tourism promotion with the remainder or approximately 45% to the counties.

The Honorable Clarence K. Nishihara, Chair
and Members of the Senate Committee on Tourism and
The Honorable J. Kalani English, Chair
and Members of the Senate Committee on Transportation,
International & Intergovernmental Relations
March 12, 2010
Page Two

While I understand the budget challenges facing the State, please know that Maui County is dealing with our own budget difficulties and is relying on every possible funding source to fulfill our county jurisdictional responsibilities.

Earlier today, I presented my Fiscal Year 2011 Budget proposal to the Maui County Council. It represents a combination of increased revenue through increased real property tax rates and increases in fees for service as well as reductions in department operational budgets. Some vacant positions have been "frozen", travel restricted and overtime significantly reduced. Days/times of operation of some county services will be adjusted – landfills may close one day per week, swimming pools will close one day per week, the county service centers hours will be adjusted. We propose to increase fees for water, wastewater, solid waste, golf course and public transportation services.

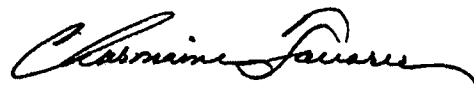
Furloughs will be implemented in FY11 for the HGEA and UPW bargaining units. I will be speaking with both unions on the furlough implementation. Additionally, there will be furloughs for all Mayoral appointees, department directors and deputies and excluded managerial staff.

My approach to the budget is a sharing of the burden between the county government and the community, just as this bill represents a sharing of the TAT between the State and the County.

We, a million plus residents of our Great State who live on one of our beautiful islands, are depending on you to act wisely and fairly and with courage to do the right thing and support this compromise position on the Transient Accommodations Tax.

Thank you again for allowing me to share Maui County's perspective.

Sincerely,



CHARMAINE TAVARES
Mayor, County of Maui

Bernard P. Carvalho Jr.
Mayor



Gary K. Heu
Administrative Assistant

OFFICE OF THE MAYOR
County of Kauai, State of Hawaii
4444 Rice Street, Suite 235, Lihue, Hawaii 96766
TEL (808) 241-4900 FAX (808) 241-6877

March 15, 2010

**TESTIMONY ON BEHALF OF MAYOR BERNARD P. CARVALHO, JR.,
SUPPORTING HB 2598, HD 1 RELATING TO
TRANSIENT ACCOMMODATIONS TAX**

Thank you for allowing me the opportunity to submit testimony in strong support of H.B. 2598, HD 1 relating to limiting the distribution of the Transient Accommodations Tax (TAT) to the Counties effective July 1, 2010 with a sunset date of June 30, 2015.

This bill establishes the Counties to share the lesser of 44.8 percent of the total TAT collected in a fiscal year, or \$94, 355,000 for five years and provides for the reestablishment of the current share of TAT as provided for in section 237D-6.5, Hawaii Revised Statutes.

Although this bill caps the level of TAT collections to the Counties for the next five years, as in the past, it provides Kauai County the ability for budgetary purposes to be able to submit a proposed balanced budget to the County Council pursuant to our Charter coincidentally by today.

As in the past, a portion of the TAT collected by Kauai County would be used to assist the county with providing the county services that have increased with the pressures and the demands of the visitor industry. Over the past 20 years, the fate and distribution of the TAT has evolved and from its inception, 95% of the TAT revenue was distributed to the Counties. Today, the Counties' combined share represents only 44.8% of the total TAT revenues. For Kauai County, this amounts to approximately \$12 million or 12% of Kauai's general fund budget.

On Kauai, every dollar from the TAT is used to support programs and services that are essential to the public health, safety and welfare of our visitors and residents alike. More specifically, our TAT funds that are reflected in our current fiscal year budget are utilized in the following areas:

| <u>Program Area</u> | <u>Dollar Amount</u> | <u>of TAT</u> |
|---|----------------------|---------------|
| 1. Public Safety (Police, Fire & Civil Defense services) | \$7,200,000 | 60.0% |
| 2. Park & Beach Recreation (Lifeguards, Park Caretakers, etc.) | \$2,040,000 | 17.0% |
| 3. Public Works | \$1,760,000 | 14.6% |
| 4. Economic Development (Tourism Promotion) | \$1,000,000 | 8.4% |

The above information clearly indicates that we are using the TAT in conformance with original intent for which the TAT was established. The Counties need the TAT to support and fund essential services that directly benefit the visitors and residents of our State.

On Kaua'i, we have taken a very conservative approach to the County's financial management and will continue to do so until this economic storm passes. In this current fiscal year because of the anticipated shortfall in real property tax collections, we made a conscious effort to reduce our budget and closely manage our expenses to avoid reducing services and/or furloughing employees.

This year our County has instituted the following measures such as: dollar-funding vacant positions, "short-funding" positions, reducing travel budgets by 50%, consolidating cellular telephone plans, reducing our take-home vehicle fleet by 64%, severely limiting equipment purchases, freezing the salaries of the Mayor and appointed department heads, and a host of other initiatives and will continue to address the shortfall in revenues in future budgets. We conservatively estimate that these measures have saved the County \$3.8 million in the current fiscal year

Today, we are submitting our proposed budget for fiscal year 2011 to the Kaua'i County Council and are anticipating a \$17 million to \$29 million shortfall in revenues from last year.

How significant the revenue shortfall will be is not yet known, but we do know the following:

- Real property valuations are expected to drop roughly 10-15% versus last year
- Previously negotiated raises for the police and fire unions will add approximately \$1.2 million in expenses
- A bond float that we will be making in early 2010 will add approximately \$2 million in debt service

We are proactively planning for the shortfall by:

- Developing plans for a two-day per month furlough
- Restructuring our debt to facilitate a significant one-year savings
- Examining each and every program for potential savings
- Proposing the adjustment of fees upward (e.g. wastewater and vehicle registration) and implementing new user fees such as a residential solid waste collection fee
- Adjusting real property tax rates to potentially buffer the impact of reduced valuation

Today we thank you for allowing Kauai County an opportunity to submit our testimony on this bill and for being able to share and address our collective revenue shortfalls.

Through the cooperation of the legislature, the Counties are committed to find ways to continue providing the needed services of our communities in order to maintain the quality of life that our residents and visitors expect and deserve.

Thank you again for this opportunity to express our strong support and willingness to work towards our common goal of serving our people of Hawai'i during this tight economy.



Derek S.K. Kawakami, President
 Kauai County Council
 4396 Rice Street, Room 206
 Lihue, Hawaii 96766-1371

Hawai'i State Association of Counties (HSAC)

Counties of Kauai, Maui, Hawaii, and City & County of Honolulu



Nestor Garcia, Vice President
 Honolulu City Council
 530 S. King Street, Room 202
 Honolulu, Hawaii 96813

**TESTIMONY OF DEREK S.K. KAWAKAMI
 PRESIDENT, HAWAII STATE ASSOCIATION OF COUNTIES (HSAC)
 AND KAUAI COUNTY COUNCILMEMBER ON**

**H.B. NO. 2598, H.D.1, RELATING TO THE
 TRANSIENT ACCOMODATIONS TAX (TAT)**

**Senate Committee on Tourism and
 Senate Committee on Transportation, International,
 and Intergovernmental Affairs
 March 15, 2010 at 1:15 p.m.
 Conference Room 224, State Capitol**

Dear Chair's Nishihara and English and Members of the Senate Committees on TSM and TIA:

Thank you for the opportunity to submit testimony in support of H.B. No. 2598, H.D.1 relating to the Transient Accomodations Tax (TAT). My testimony is submitted and reflects the position of the Hawai'i State Association of Counties (HSAC) and my view as an individual Councilmember of the Kauai County Council.

Initially, our testimony that was submitted for the February 17th hearing in the House Committee on Finance opposed H.B. No. 2598. However, the amendments that were passed to place a limit on the counties' share of the transient accommodations tax revenues are an acceptable compromise that we can support.

Since the start of the distribution of the TAT revenues to the counties, the counties have depended and relied on the TAT revenues to provide essential public services in the area of public safety and recreation, and for the maintenance of facilities to provide a meaningful experience for both visitors and residents.

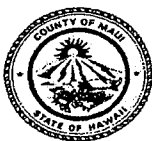
The suspension of the TAT revenues to the counties would greatly have a negative impact on the services and maintenance that the counties need to provide in order to promote a valuable travel experience to our visitors as well as residents.

In light of the above, HSAC is in support of H.B. No. 2598, H.D.1. Thank you again for this opportunity to submit testimony.

Sincerely,

Derek S.K. Kawakami

Derek S.K. Kawakami (sp)
 HSAC President & Kauai Councilmember



Joseph Pontanilla, Treasurer
 Maui County Council
 200 South High Street
 Wailuku, Hawaii 96793



Dennis "Fresh" Onishi, Secretary
 Hawaii County Council
 25 Aupuni Street
 Hilo, Hawaii 96720

Council Chair
Danny A. Mateo

Vice-Chair
Michael J. Molina

Council Members
Gladys C. Baisa
Jo Anne Johnson
Sol P. Kaho'ohalahala
Bill Kauakea Medeiros
Wayne K. Nishiki
Joseph Pontanilla
Michael P. Victorino



Director of Council Services
Ken Fukuoka

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

March 12, 2010

TO: The Honorable Clarence K. Nishihara, Chair
Senate Committee on Tourism
The Honorable J. Kalani English, Chair
Senate Committee on Transportation, International, and Intergovernmental Affairs

FROM: Danny A. Mateo
Council Chair

SUBJECT: **HEARING OF MARCH 15, 2010; TESTIMONY IN SUPPORT HB 2598, HD1,
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in support this important measure. The purpose of this measure is to place a temporary limit on the amount of transient accommodations tax (TAT) revenues distributed to the counties.

I support HB 2598, HD1 for the following reasons:

1. This measure maintains the revenue distribution to the counties at Fiscal Year 2009 levels in recognition that the counties rely on TAT revenue to fund infrastructure improvements and core services.
2. This measure is instrumental in facilitating the State and counties' economic recovery and acknowledges the importance of long-term intergovernmental cooperation and vision.
3. The continued 44.8 per cent distribution of TAT revenues to the counties will allow the counties to more fully and expeditiously assist in our shared interest of a timely and effective economic recovery.
4. This measure recognizes the rational nexus between the visitors' impact on county infrastructure and the distribution of county-earned TAT revenue.

For your information, I am attaching a proposed resolution that will be considered by the Maui County Council at its meeting of March 19, 2010, entitled "SUPPORTING LEGISLATION TO MAINTAIN DISTRIBUTION OF TRANSIENT ACCOMMODATIONS TAX REVENUE TO THE COUNTIES."

For the foregoing reasons, I support this measure.

Attachment
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Resolution

No. _____

SUPPORTING LEGISLATION TO MAINTAIN DISTRIBUTION OF TRANSIENT ACCOMMODATIONS TAX REVENUE TO THE COUNTIES

WHEREAS, Chapter 237D, Hawaii Revised Statutes, currently requires that a portion of the revenues earned from the Transient Accommodations Tax ("TAT"), also known as the hotel-room tax, be returned to the counties where the money is earned; and

WHEREAS, the taxpayers of Maui County and the other counties invest heavily in infrastructure and services that are utilized by the visitors who pay the TAT; and

WHEREAS, there is a clear nexus between the visitors' impact on county infrastructure and returning a fair share of the county-earned TAT revenue to the respective county governments; and

WHEREAS, this established partnership among the State, the counties, and the visitor industry should be maintained to avoid shifting the tax burden from visitors to our own local residents; and

WHEREAS, the counties' revenue-generating authority is already minimal, largely limited to real property taxes; and

WHEREAS, returning a portion of TAT revenue to the counties also recognizes the constitutional requirement that the State share in the expense of mandated programs; and

WHEREAS, House Bill No. 2598 (2010), House Draft 1, ("HB 2598, HD 1") and House Bill No. 1744 (2009), House Draft 1, Senate Draft 1 ("HB 1744, HD 1, SD 1"), each entitled "A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX", are currently pending before the Hawaii State Legislature; and

WHEREAS, HB 1744, HD 1, SD 1, would unfairly and unwisely deny TAT revenue to the counties at a time when economic emergencies demand long-term intergovernmental cooperation; and

Resolution No. _____

WHEREAS, in recognition that the counties rely upon TAT revenue to fund infrastructure improvements, HB 2598, HD 1, maintains revenue distribution to the counties near recent levels; and

WHEREAS, HB 2598, HD 1, represents an effective compromise to preserve the State/county/visitor-industry partnership; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That it SUPPORTS HB 2598, HD 1, and any other legislation that similarly maintains annual TAT-revenue distribution to the counties near recent levels;
2. That it OPPOSES HB 1744, HD 1, SD 1, and any other legislation that similarly ceases or significantly reduces TAT-revenue distribution to the counties; and
3. That certified copies of this resolution be transmitted to the Honorable Charmaine Tavares, Mayor, County of Maui; the Honorable Linda Lingle, Governor, State of Hawaii; the Honorable Calvin Say, Speaker of the House, and the Members of the House of Representatives, State of Hawaii; the Honorable Colleen Hanabusa, President, and the Members of the Senate, State of Hawaii; the Honorable Todd K. Apo, Chair, Honolulu City Council; the Honorable Bill "Kaipo" Asing, Chair, Kauai County Council; and the Honorable J. Yoshimoto, Chair, Hawaii County Council.

Council Chair
Danny A. Mateo

Vice-Chair
Michael J. Molina

Council Members
Gladys C. Baisa
Jo Anne Johnson
Sol P. Kaho'ohalahala
Bill Kauakea Medeiros
Wayne K. Nishiki
Joseph Pontanilla
Michael P. Victorino



Director of Council Services
Ken Fukuoka

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

March 12, 2010

TO: The Honorable Clarence K. Nishihara, Chair
Senate Committee on Tourism
The Honorable J. Kalani English, Chair
Senate Committee on Transportation, International and Intergovernmental Affairs

FROM: Joseph Pontanilla, Council Member
Maui County Council 

SUBJECT: **HEARING OF MARCH 15, 2010; TESTIMONY IN SUPPORT OF HB 2598, HD1,
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to temporarily place a limit on the amount of transient accommodations tax revenues distributed to the counties.

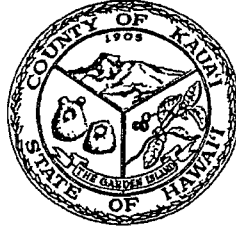
I am aware that the Chair of the Maui County Council has submitted testimony in support of this measure, and I concur with his testimony.

I am also aware that the President of the Hawaii State Association of Counties (HSAC) has submitted testimony, on behalf of HSAC, in support of this measure. As the Treasurer of HSAC and as Maui County's representative to HSAC, I concur with the testimony submitted by the President.

For the reasons cited in the testimonies submitted by the Maui County Council Chair and the HSAC President, I urge you to support this measure.



COUNTY COUNCIL
BILL "KAIPO" ASING, CHAIR
JAY FURFARO, VICE CHAIR
TIM BYNUM
DICKIE CHANG
DARYL W. KANESHIRO
LANI T. KAWAHARA
DEREK S. K. KAWAKAMI



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OFFICE OF THE COUNTY CLERK
Council Services Division
Elections Division

PETER A. NAKAMURA, County Clerk

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Facsimile: (808) 241-6349

**TESTIMONY OF JAY FURFARO
KAUAI COUNTY COUNCIL VICE CHAIRMAN
ON
H.B. NO. 2598, H.D.1, RELATING TO THE
TRANSIENT ACCOMODATIONS TAX (TAT)**

**Senate Committee on Tourism and
Senate Committee on Transportation, International,
and Intergovernmental Affairs
March 15, 2010 at 1:15 p.m.
Conference Room 224, State Capitol**

Dear Chair's Nishihara and English and Members of the Senate Committees on TSM and TIA:

Thank you for this opportunity to submit testimony as an individual member of the Kauai County Council in support to House Bill No. 2598, H.D.1 which would provide distribution of TAT revenues to the County at current levels.

Having served twice as past President of the Kauai Chapter of the Hawaii Hotel & Lodging Association (formerly known as the Hawaii Hotel Association), I truly recognize the value of our visitor industry and the contributions it makes to our local economy.

As the Counties' share of TAT revenues currently provide critical funding that allows local governments to sustain adequate levels of service not just to the visitor sector, but to our resident population as well. H.B. No. 2598, H.D.1 will assist the County to maintain an overall quality of life our communities deserve.

As a budgetary decision-maker at the County level, H.B. No. 2598, H.D.1 enhances the need for the State and Counties to remain committed to further discussion of more fiscally responsible alternatives to our mutual financial concerns.

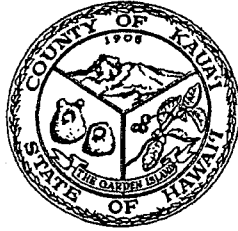
Again, thank you for this opportunity to present my testimony in support of this bill.

Sincerely,

JAY FURFARO (LP)
Kauai County Council Vice Chair



COUNTY COUNCIL
BILL "KAIPO" ASING, CHAIR
JAY FURFARO, VICE CHAIR
TIM BYNUM
DICKIE CHANG
DARYL W. KANESHIRO
LANI T. KAWAHARA
DEREK S. K. KAWAKAMI



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**TESTIMONY OF TIM BYNUM
KAUA'I COUNTY COUNCILMEMBER
ON
H.B. NO. 2598, H.D.1, RELATING TO THE
TRANSIENT ACCOMODATIONS TAX (TAT)**

**Senate Committee on Tourism and
Senate Committee on Transportation, International,
and Intergovernmental Affairs
March 15, 2010 at 1:15 p.m.
Conference Room 224, State Capitol**

Dear Chair's Nishihara and English and Members of the Senate Committees on TSM and TIA:

I submit this testimony in support of H.B. No. 2598, H.D.1 as an individual member of the Kaua'i County Council and as the Chair of its Public Works/Elderly Affairs Committee.

I am in support of this bill because it proposes to distribute TAT revenues to the County at current levels.

For the reason stated above, I am in support of H.B. No. 2598, H.D.1. Thank you for this opportunity to provide testimony.

Sincerely,

TIM BYNUM (LP)
Kaua'i County Councilmember



COUNTY COUNCIL
BILL "KAIPO" ASING, CHAIR
JAY FURFARO, VICE CHAIR
TIM BYNUM
DICKIE CHANG
DARYL W. KANESHIRO
LANI T. KAWAHARA
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**TESTIMONY OF DICKIE CHANG
KAUAI COUNTY COUNCILMEMBER
ON
H.B. NO. 2598, H.D.1, RELATING TO THE
TRANSIENT ACCOMODATIONS TAX (TAT)**

**Senate Committee on Tourism and
Senate Committee on Transportation, International,
and Intergovernmental Affairs
March 15, 2010 at 1:15 p.m.
Conference Room 224, State Capitol**

Dear Chair's Nishihara and English and Members of the Senate Committees on TSM and TIA:

Thank you for the opportunity to submit testimony on H.B. No. 2598, H.D.1 relating to the transient accommodations tax. My testimony is submitted as an individual Kaua'i County Councilmember and as the Chair of the Economic Development/Housing Committee.

I am in support of this bill because the transient accommodations tax (TAT) revenues are essential in contributing to the County of Kaua'i's overall operating budget provide essential public services.

The County of Kaua'i needs the TAT revenues to provide essential public services to visitors and residents in the areas of public safety, recreation, infrastructure improvements, and maintenance. My involvement in the visitor industry has allowed me to understand the valuable role that the visitor industry plays for the health of Kaua'i's economy. With the recent economic downturn, it is vital that Kaua'i continue to receive TAT revenue to provide for our residents and to remain competitive as a world class destination for visitors to Hawai'i.

For the reasons stated above, I am in support of H.B. No. 2598, H.D1. Thank you for your consideration.

Sincerely,

DICKIE CHANG (17)
Councilmember



COUNTY COUNCIL
Bill "Kaipo" Asing, Chair
Jay Furfaro, Vice Chair
Tim Bynum
Dickie Chang
Daryl W. Kaneshiro
Lani T. Kawahara
Derek S. K. Kawakami



OFFICE OF THE COUNTY CLERK

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Council Services Division
4396 Rice Street, Room 206
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**TESTIMONY OF DARYL W. KANESHIRO
KAUAI COUNTY COUNCILMEMBER
ON
H. B. NO. 2598, H.D.1, RELATING TO THE TRANSIENT
ACCOMMODATIONS TAX (TAT)**

**Senate Committee on Tourism and
Senate Committee on Transportation, International,
and Intergovernmental Affairs
March 15, 2010 at 1:15 p.m.
Conference Room 224, State Capitol**

Dear Chair's Nishihara and English and Members of the Senate Committees on TSM and TIA:

I submit this testimony in support of H.B. No. 2598, H.D.1, as an individual member of the Kauai County Council and the Chair of its Budget & Finance Committee.

I am in support of this bill for the following reasons:

- H. B. No. 2598, H.D.1, proposes to provide TAT revenues to the Counties at current levels.
- The counties have provided valuable public service to our residents and visitors in the areas of public safety and recreation.
- The counties must continue to keep up with infrastructure improvements and maintenance.
- Since the termination of the Federal Revenue Sharing Program (State and Local Assistance Act of 1972) in 1987, followed by the termination of the State's Grant-In-Aid to the Counties (Act 155) in 1989, the counties have considered TAT revenues as a consistent and reliable source of revenue.
- Kauai County would substantially reduce public services.
- If approved, H.B. No. 2598, H.D.1 would greatly assist the County in continuing to provide essential public services.

For the reasons stated above, I am in support of H.B. No. 2598, H.D.1. Thank you for this opportunity to provide testimony.

Sincerely,

DARYL W. KANESHIRO (2P)
Kauai County Councilmember

COUNTY COUNCIL
BILL "KAIPO" ASING, CHAIR
JAY FURFARO, VICE CHAIR
TIM BYNUM
DICKIE CHANG
DARYL W. KANESHIRO
LANI T. KAWAHARA
DEREK S. K. KAWAKAMI



4396 RICE STREET, ROOM 206
LIHU'E, KAUA'I, HAWAII 96766-1371
E-mail: cokcouncil@kauai.gov

OFFICE OF THE COUNTY CLERK
Council Services Division
Elections Division

PETER A. NAKAMURA, County Clerk

Telephone: (808) 241-6371
Facsimile: (808) 241-6349

**TESTIMONY OF LANI T. KAWAHARA
KAUA'I COUNTY COUNCILMEMBER
ON
H. B. NO. 2598, H.D.1, RELATING TO THE TRANSIENT
ACCOMMODATIONS TAX (TAT)**

**Senate Committee on Tourism and
Senate Committee on Transportation, International,
and Intergovernmental Affairs
March 15, 2010 at 1:15 p.m.
Conference Room 224, State Capitol**

Dear Chair's Nishihara and English and Members of the Senate Committees on TSM and TIA:

I submit this testimony in support of H.B. No. 2598, H.D.1 as an individual member of the Kaua'i County Council and as Chair of the Parks/Transportation Committee, because it provides for distribution of the Transient Accomodations Tax (TAT) revenues to the County at the current levels.

Kaua'i hosted almost 1 million visitors in 2009. Appropriately, TAT revenues garnered from these visitors found their way into the local community on Kaua'i to address visitor impacts on Kaua'i's infrastructure, emergency services, lifeguard services, parks, and natural resources.

H.B. No. 2598, H.D.1 will allow Kauai County to continue to manage the burden of millions of visitors on our infrastructure and many services.

For the reasons stated above, I am in support of H.B. No. 2598, H.D.1.

Sincerely,

LANI T. KAWAHARA
Kaua'i County Councilmember



Bernard P. Carvalho Jr.
Mayor

George K. Costa
Director

Office of Economic Development

County of Kauai
4444 Rice Street, Suite 200
Lihue, HI 96766-1300

March 12, 2009

**Testimony to the Senate Committee on Tourism and Committee on Transportation,
International and Intergovernmental Affairs Joint Committee Hearing:
Monday, March 15, 2010 – Conference Room 224, 1:15 p.m.**

Honorable Senators Clarence K. Nishihara, Chair, Brickwood Galuteria, Vice Chair,
Kalani J. English, Chair Mike Gabbard, Vice Chair and Committee members:

RE: HOUSE BILL 2598 HD1: Relating to Transient Accommodations Tax

Thank you for allowing me the opportunity to submit testimony in strong support of H.B. 2598, HD 1 relating to limiting the distribution of the Transient Accommodations Tax (TAT) to the Counties effective July 1, 2010 with a sunset date of June 30, 2015.

Although this bill caps the level of TAT collections to the Counties for the next five years, as in the past, it provides Kauai County the ability for budgetary purposes to be able to submit a proposed balanced budget to the County Council.

Kauai County uses every dollar from the TAT to support programs and services that are essential to the public health, safety and welfare of our visitors and residents.

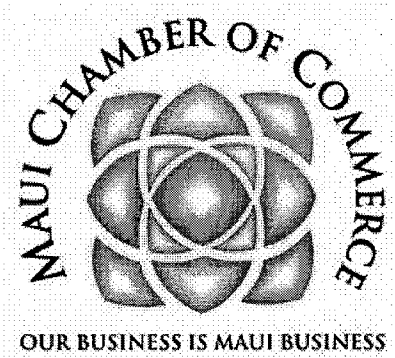
During this last fiscal year, our office successfully secured a commitment from our Administration and County Council to fund one million dollars from the TAT fund to do added promotional efforts to promote Kauai as a visitor destination. Many in our visitor industry and community got together to decide how we could use that million dollars to try to get our visitor industry back on it's feet as quickly as possible and slow the drop in occupancy rates. We continue in that effort to help ourselves stay afloat.

Thank you again for this opportunity to express our strong support and willingness to work toward our common goal of serving our people and the economy of Hawaii.

Mahalo Nui Loa,

George K. Costa
Director – Office of Economic Development
County of Kaua'i





Testimony to the Committees on Tourism and
Transportation, International & Intergovernmental Affairs
on Monday, March 15, 2010 at 1:15pm
Conference Room 224

**Re: Support of HB2598 HD1
Relating to Transient Accommodations Tax**

Dear Chairs Nishihara and Galuteria,
Vice Chairs English and Gabbard, and
Members of Both Committees,

Aloha, on behalf of the Maui Chamber of Commerce, a business organization comprised of approximately 800 businesses that collectively employ nearly 20,000 people on Maui, I am writing to support HB2598 HD1 because it has been amended to continue to provide each county with a share of Transient Accommodations Tax (TAT) revenue at current levels.

Our mission it is to advance and promote a healthy economic environment for business, advocating for responsive government and quality education, while preserving Maui's unique community characteristics. We well understand the value of TAT revenue to our county, who came to rely heavily upon this revenue when it replaced Grants in Aid. Had these monies been taken from the Maui County, it would have created substantial hardships as this revenue, which we help generate, is required to provide necessary services for residents and visitors alike.

We also recognize that our state is facing revenue shortfalls and deeply appreciate that legislators have come up with a workable solution on this issue. In these economic times, it is imperative that we work together and not hurt county operations to shore up state revenue shortfalls. As amended, this bill presents a reasonable compromise that we support, as well as back the support by the Maui Hotel and Lodging Association.

Therefore, we ask you to move this bill forward to ensure that the counties continue to receive the same level of TAT revenue they count on to deliver essential services.

Thank you for the opportunity to provide testimony.

Sincerely,

Pamela Tumpap
President



888 Mililani Street, Suite 601
Honolulu, Hawaii 96813-2991

Telephone: 808.543.0000
Facsimile: 808.528.4059

www.hgea.org

The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Tourism
Committee on Transportation, International and Intergovernmental Affairs

Testimony by
Hawaii Government Employees Association
March 15, 2010

H.B. 2598, H.D. 1 –
RELATING TO TRANSIENT
ACCOMMODATIONS TAX


The Hawaii Government Employees Association supports the purpose and intent of H.B. 2598, H.D. 1. However, we strongly opposed the original version of the bill. Before the amendments made by the House Committee on Finance, H.B. 2598 proposed to suspend the distribution of transient accommodations tax (TAT) revenues to the counties for a three year period (7/1/10 - 6/30/13).

H.B. 2598, H.D. 1 places a limit on the counties' share of the TAT. It establishes the counties share of the TAT at 44.8% of the total tax revenues collected in a fiscal year, or \$94,355,000, whichever is less. Any income above these thresholds would be diverted to the state's general fund until June 30, 2015. H.B. 2598, as amended, allows the counties to retain much needed revenues while diverting future increases to the state.

The TAT is a very important source of tax revenue for all four counties. Although the counties are not currently facing as dire a fiscal situation as the state, Hawaii County and the City and County of Honolulu will need to close projected budget deficits in FY 2010 and FY 2011. The counties are encountering problems due to the decline of property valuations, resulting in lower property tax revenues. At the same time, other operating expenses are expected to rise. The complete loss of TAT revenues for a three-year period would have a devastating impact on county government, resulting in major program cuts, layoffs of county employees and higher property taxes.

It is counterproductive to shift national and state economic problems to the counties and its residents. Considering the magnitude of the state budget deficit, a balanced approach that includes raising revenues through taxes and the elimination of tax credits is necessary. Thank you for the opportunity to testify in support of H.B. 2598, H.D. 1.

Respectfully submitted,


Nora A. Nomura
Deputy Executive Director





KAUAI ECONOMIC DEVELOPMENT BOARD, INC

4290 Rice Street - Lihue, HI 96766 • Phone: (808) 245-6692 • Fax: (808) 246-1089 • www.kedb.com

March 12, 2010

Honorable Clarence K. Nishihara, Chair
Honorable Brickwood Galuteria, Vice Chair
Committee on Tourism
Honorable J. Kalani English, Chair
Honorable Mike Gabbard, Vice Chair
Committee on Transportation, International and
Intergovernmental Affairs

Re: SB 2598, HD1 Relating to Transient Accommodations Tax

Dear Chairs, Vice Chairs and Committee Members:

The Kauai Economic Development Board **strongly supports** this latest amendment which temporarily places a limit on the counties' share of the Transient Accommodations Tax (TAT), rather than suspending it entirely.

As a membership organization representing over 70 Kauai businesses, the Kauai Economic Development Board is very cognizant of the State and County budget challenges. But we also know that totally suspending the TAT distribution to the Counties would be devastating to Kauai. Just as with the State, the County of Kauai is also experiencing a dramatic drop in revenues and Mayor Bernard Carvalho has been proactive in planning for the severe budget shortfall, including furloughs, implementing new user fees, adjusting real property taxes and examining programs for potential savings.

We feel that temporarily capping the TAT to the Counties is fair and an equitable solution. It distributes the burden as the State and County of Kauai struggle to provide essential health and safety programs and services for our residents and visitors in this current economic climate.

Thank you for the opportunity to comment on this very important bill.

Sincerely yours,

Mattie Yoshioka
President & CEO



THE SENATE
25th LEGISLATURE
REGULAR SESSION of 2010

COMMITTEE ON TOURISM
Senator Clarence K Nishihara, Chair

COMMITTEE ON TRANSPORTATION, INTERNATIONAL &
INTERGOVERNMENTAL AFFAIRS
Senator J Kalani English, Chair

3/15/10
1:15 PM – Room 224

HB 2598, HD 1
Relating to Transient Accommodations Tax (TAT)

Chair Nishihara & Chair English, my name is Max Sword, here on behalf of Outrigger Hotels.

HB 2598, HD 1, would limit the amount of revenues from the TAT that would be distributed to the four counties.

Outrigger Hotels has testified in opposition to the idea of taking the all the TAT dollars currently given to the counties, but we believe that this bill is a good compromise.

We therefore, support this measure and encourage its passage and thank you for allowing me to testify.





**HAWAII HOTEL & LODGING
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hha@hawaiihotels.org
Website: www.hawaiihotels.org



32nd Anniversary
Are You Walking???
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**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION**

March 15, 2010

RE: HB 2598 HD1 Relating to Transient Accommodations Tax

Good afternoon Chairmen Nishihara and English and members of the Senate Committees on Tourism, and Transportation, International & Intergovernmental Affairs. I am Murray Towill, President of the Hawaii Hotel & Lodging Association.

The Hawaii Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 150 hotels representing over 48,000 rooms. Our hotel members range from the 2,680 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association supports HB 2598 HD1 Relating to Transient Accommodations Tax. We opposed the original bill because it totally removed the counties' share of the Transient Accommodations Tax ("TAT"). We believed this was unfair to the counties since they are responsible for many of the facilities and activities utilized by visitors.

HB 2598 HD1 seems to be a reasonable compromise that recognizes the needs of the counties and the fiscal realities facing the state.

Mahalo again for this opportunity to testify.





West Kauai Business & Professional Association

a 501(c) (6) Organization

March 15, 2010

TESTIMONY ON BEHALF OF THE MEMBERSHIP OF THE WEST KAUAI BUSINESS & PROFESSIONAL ASSOCIATION

SUPPORTING HB 2598, HD 1 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Thank you for allowing us this opportunity to submit testimony in strong support of H.B. 2598, HD 1, relating to limiting the distribution of the Transient Accommodations Tax (TAT) to the Counties effective July 1, 2010, with a sunset date of June 30, 2015.

This bill establishes that the various Counties share the lesser of 44.8 percent of the total TAT collected in a fiscal year, or \$94,355,000 for five years and provides for the reestablishment of the correct share of TAT as provided for in section 237D-6.5, Hawai'i Revised Statutes.

Although this bill temporarily caps the level of TAT collections to the Counties for the next five years, it will provide the County of Kauai with the ability to submit a proposed balanced budget to the Kauai County Council, pursuant to our County Charter.

Please note that a portion of the TAT collected by Kaua'i County would be used to assist the Kaua'i towards continuing to provide those services which have increased with the pressures and the demands of the visitor industry.

Over the past 20 years, the fate and distribution of the TAT has evolved and, from its inception when 95% of the TAT revenue was distributed to the Counties, today's County shares represent only 44.8% of the total TAT revenues.

For Kauai County, this amounts to approximately \$12 million, or 12% of Kaua'i's general fund budget.

On Kaua'i, every dollar from the TAT is used to support programs and services that are essential to the public health, safety and welfare of our visitors and residents alike. More specifically, our TAT funds are reflected in our current fiscal year budget as being utilized in the following areas:

| <u>Program Area</u> | <u>Dollar Amount of TAT</u> | <u>% of TAT Funds</u> |
|--|-----------------------------|-----------------------|
| 1. Public Safety (Police, Fire & Civil Defense services) | \$7,200,000 | 60.0% |
| 2. Park & Beach Recreation (Life Guards, Park Caretakers, etc.) | \$2,040,000 | 17.0% |
| 3. Public Works (Infrastructure) | \$1,760,000 | 14.6% |
| 4. Economic Development (Tourism Promotion) | \$1,000,000 | 8.4% |

Sincerely,

David Walker

David Walker,
President





Testimony of
Carol Reimann
Executive Director
Maui Hotel & Lodging Association
on
HB2598 HD1
Relating to the Transient Accommodation Tax

COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND INTERGOVERNMENTAL
AFFAIRS

Monday, 03-15-10 1:15PM
Conference room 224

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes approximately 120 property and allied business members – all of whom have an interest in the visitor industry. Collectively, the MHLA membership employs over 10,000 Maui County residents.

MHLA supports HB2598 HD1 that places a limit on the amount of transient accommodations tax (TAT) revenues distributed to the counties.

This amended bill will allow the counties the ability to retain their fair share of the TAT which they prudently utilize to provide valuable services that offset many of the impacts and infrastructure requirements generated by visitors such as police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism-related infrastructure.

The visitor industry will continue to have significant impacts on our counties; and therefore these funds are integral to our county's operations. The retention of the distribution of the TAT to the counties will allow these services to continue and ultimately have a positive effect on the economic engine of our counties.

MHLA urges you to support HB2598 HD1.

Thank you for the opportunity to testify.



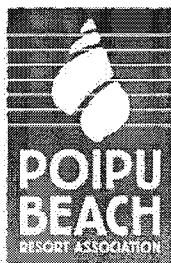
Testimony for Senate Committee on Tourism and
Committee on Transportation, International and Intergovernmental affairs
Re: HB2598 HD-1
Thomas Croly 3259 Akala Drive, Kihei HI 96753

I wish to express my support for the proposed measure to continue to send a portion of the Transient Accommodations Tax to the Counties, while directing new revenues to the State General fund for 5 years.

The Transient Accommodation Tax was established in part as a way for the visitor to contribute directly to the cost of County services typically used by these visitors, such as County park maintenance, police, fire and safety services. In a state where as many as 1 in 4 people on a given island is a visitor, taking away any of the counties' portion of this tax, only forces the counties to transfer the costs of these services to its residents through property taxes. Which is why any reduction in the county's portion of the TAT would really be a tax increase by the State while disguising it as a county increase. Maui County would have to increase its property taxes by 7% to recover its \$18 million portion of the TAT.

In consideration of this matter it is important to understand exactly where the tax on transient accommodations goes. First, there is the 4% GET on these accommodations that goes directly into the State General Fund. Then, there is the 2% that last year's Legislature added to the TAT, effective July 1, 2010 and that also goes directly to the State General fund. Then, of the remaining 7.25% of the TAT, 2.5% goes to the tourism special fund, 1.25% goes to the convention center fund and another 0.25% goes to the State General fund. The four counties share the remaining 3.25%. This bill would cap that amount to \$94 million. So in total, the State gets 10% of each dollar spent on transient accommodation with 6.25% going directly into the General fund, and the counties share 3.25%. The state will also get all amounts over \$94 million that would have otherwise been directed to the counties

Certainly the State is faced with difficult decisions to make in order to balance the budget, this measure, in its current form, is a reasonable compromise that finds additional State revenues while allowing the counties to maintain a portion of the TAT so desperately needed to provide vital county services to both visitors and residents alike.



March 12, 2010

Via Email Transmittal: TSMTestimony@Capitol.hawaii.gov

To: Senator Clarence K. Nishihara, Chair
Senator Brickwood Galuteria, Vice Chair

From: Poipu Beach Resort Association (PBRA)

Re: H.B. No. 2598 Relating to Transient Accommodations Tax

Dear Senator Nishihara, Senator Galuteria and Members of the Senate Committee on Tourism:

I am Doug Sears, President of the Poipu Beach Resort Association (PBRA), a member-based organization of nearly 100 businesses, primarily located on the South Shore of Kauai. Our membership includes hotels, condominiums, management firms, activity operators, shopping and dining establishments, services and other related firms and individuals, ranging from small, owner-operated businesses to some of the largest employers on the island.

We are contacting you in regards to H.B. No. 2598, which proposes to temporarily place a limit on the amount of transient accommodations tax revenues distributed to the counties until June 30, 2015. This bill establishes the Counties share the lesser of 44.8% of the total TAT collected in a fiscal year or \$94,355,000 for five years and provides for the reestablishment of the current share of the TAT as provided for in Section 237D-6.5, Hawai'i Revised Statutes.

On Kauai, every dollar from the TAT is used to support programs and services that are essential to the public health, safety and welfare of our visitor and resident communities. More importantly, TAT funds are used for the following: (1) Public Safety; (2) Park & Beach Recreation; (3) Public Works and (4) Economic Development (tourism promotion).

We strongly encourage you to support H.B. No. 2598 in an effort to continue to support and fund essential services needed to maintain the quality of life that our visitors and residents expect and deserve.

Thank you for your time and consideration and for allowing us the opportunity to express our strong support of H.B. No. 2598.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Sears", written in a cursive style.

Doug Sears
President



Doug Sears
General Manager



Grand Hyatt Kauai
Resort & Spa
1571 Poipu Road
Koloa, Kauai, HI 96756 USA

Telephone: 808.742.1234
FAX: 808.240.6591
E-mail: dsears@hyatt.com

**TESTIMONY OF DOUG SEARS,
IN SUPPORT OF HB 2598, HD 1, RELATING TO
TRANSIENT ACCOMMODATIONS TAX**

Monday, March 15, 2010; 1:15 p.m.
Conference Room 224
State Capital
415 South Beretania Street

Chairs J. Kalani English and Clarence K. Nishihara:

My name is Doug Sears and my company is the Grand Hyatt Kauai Resort and Spa. We are one of the largest employers on Kauai with over 900 employees. I wish to express my support of HB 2598, HD 1 Relating to the Transient Accommodations Tax which places a limit on the amount of transient accommodations tax revenues distributed to the counties at current levels.

On Kauai every dollar from the TAT is used to support programs and services that are essential to the public health, safety and welfare of our visitors and residents alike. We are using the TAT in conformance with the original intent for which the TAT was established. As a representative of the hospitality industry, we need the TAT to support and fund essential services that directly benefit both our visitors and residents. We depend on these funds to provide needed services to the island's population especially with our current economic conditions.

Thank you for the opportunity to submit testimony. If you have any questions, please contact me at (808) 240-6400 or doug.sears@hyatt.com.

Sincerely,

A handwritten signature in black ink that reads "Doug Sears".

Doug Sears
General Manager





TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to counties

BILL NUMBER: HB 2598, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 237D-6.5 to provide that until June 20, 2015 the counties share of the transient accommodations tax (TAT) revenues shall be \$94,355,000; provided that if based on the actual transient accommodations tax revenues derived during the fiscal year, the counties' share for the entire fiscal year is less than \$94,355,000, the state director of finance shall pay the counties an appropriately adjusted amount.

This act shall be repealed on June 30, 2015; provided that section HRS section 237D-6.5, shall be reenacted on July 1, 2015 in the form in which it existed on the day prior to the effective date of Act 61, SLH 2009.

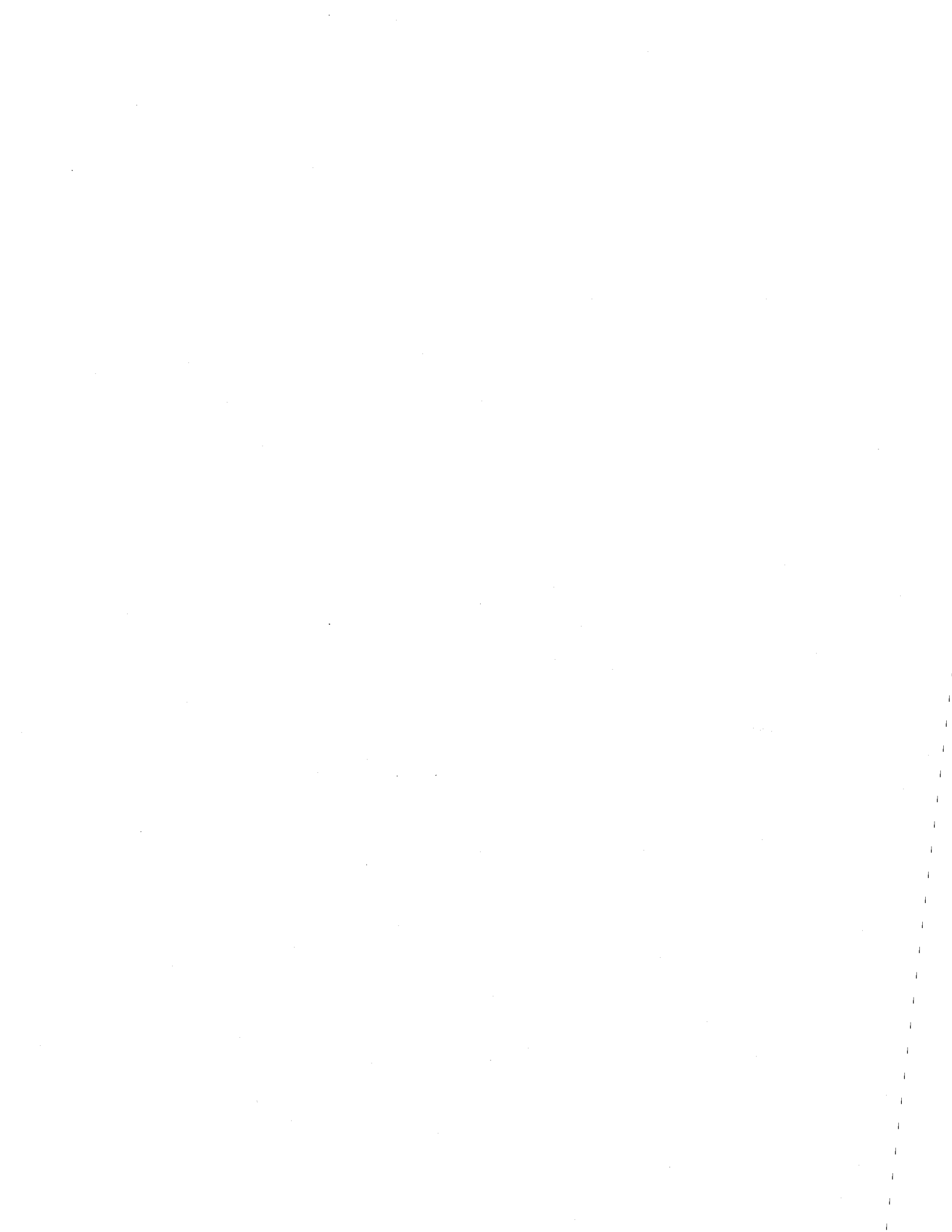
EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This was an administration measure submitted by the department of taxation TAX-12(10). While the original measure proposed by the administration would have suspended the transfer of TAT revenues to the counties from July 1, 2010 to June 30, 2013, the proposed measure would temporarily limit the counties' share of the TAT revenues to the amount they received in fiscal 2009. Inasmuch as this measure assures the counties will continue to receive a share of the TAT, it holds better prospect than the original bill. However, it is also a gamble for both the state and the counties as the prospect of TAT collections increasing in the near future is unlikely. Thus, it would be wise for policymakers at both levels to exercise extreme care in banking on those revenues. While the proposed measure would postpone any drastic revenue reduction for the counties, it should be remembered that in a down economy, taxpayers are examining their spending priorities and paring back their spending - a concept that state and local government has to adopt to regain control of their finances. At a time when taxpayers are doing more with less, government should do the same.

What this proposal underscores is the fact that both state and county governments have grown well beyond their means. The counties have justified their share of the TAT by rationalizing that the funds go to pay for the impact visitors have on county facilities and services; however, at the same time all four counties have managed to impose much higher tax rates on hotel/resort real property and in one case a special rate on resort time share property. The counties must be held accountable for their fiscal antics which have led homeowner real property taxpayers into believing they can have more county services with little or no increase in their tax burden.

At the same time, state officials should not be allowed to merely solve their fiscal dilemma by "stealing" what they have allowed the counties to believe belongs to them. Both levels of government need to resize their operations and set priorities for what limited resource taxpayers can share with government.

Digested 3/10/10



nishihara1 - Kristen

From: Lorraine Hora [lorrainehora@yahoo.com]
Sent: Saturday, March 13, 2010 10:51 PM
To: TSM Testimony
Subject: HB 2598 HD 1

Committee on Tourism
Senator Clarence Nishihara, Chair
Senator Brickwood Galuteria, Vice Chair

Committee on Transportation, International and Intergovernmental Affairs
Senator Kalani English, Chair
Senator Mke Gabbard, Vice Chair

Monday, March 15, 2010
1:15 PM
Conference Room 224
State Capitol
415 South Beretania

RE: HB 2598 HD 1 Relating to Transient Accommodation Tax

Hawaii State Teachers Association - Retired, Hawaii (Island) District SUPPORT HB 2598 HD 1.
Our members feel that limiting the counties' share of the TAT revenue to the 2008-2009 fiscal year allocation is a fair and just compromise. The counties can now adjust and plan their budgets, knowing that this set amount can be counted on for the next five years.
We commend the members of the House for being perceptive and understanding of the needs of the counties and hope that the members of the Senate will do the same
We ask that HB2598 HD 1 be passed out of committee.

Thank you for the opportunity to testify.

Sincerely,
Lorraine M. Hora
HSTA-R Hawaii District President
648 Hinano St.
Hilo, HI 96720



nishihara1 - Kristen

From: Stephanie N. Iona [Stephanie.Iona@astonhotels.com]
Sent: Saturday, March 13, 2010 1:13 PM
To: TSM Testimony
Subject: Testimony in Support of H.B.2598,HD 1 RELATING TO Transient Accommodations Tax

To the Honorable Senator Kalani English, Senator Clarence Nishihara, Senator Clarence Nishihara and Senator Brickwood Galuteria...

Please stand behind Mayor Bernard Carvalho, Jr., and his administration as well as all of our Hotel leaders who strive tirelessly throughout the year to encourage our guests to come to our islands and add to the revenue stream of each county by paying the Transient Tax requirements that is attached to the room revenue. I **SUPPORT** this bill because it provides the needed funds to provide services to our island of Kauai and Hawaii, as we strive to keep the safety, health and welfare of our visitors and residents in balance.

There is one Senator that I know truly understands this issue better than most because he is part of our message of Tourism in Hawaii...he is one of our own...and he is the Honorable Senator Brickwood Galuteria. He is someone that comes from our industry, shares our message of Aloha...and better still, understands the need of our industry to receive every dollar necessary to keep the message alive and well.

Thank you for helping our Counties through this time in our history, and I pray you understand and support this bill.

Aloha and Mahalo.

Stephanie N. Iona
General Manager
Waimea Plantation Cottages
9400 Kaunua'ali Hwy., P.O. Box 367, Waimea, Hawaii 96796
Phone: 808-338-2333 Fax: 808-338-2338
visit our website at www.WaimeaPlantation.com

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nishihara1 - Kristen

From: Sgarbi, Milton [milton.sgarbi@stregis.com]
Sent: Friday, March 12, 2010 4:25 PM
To: TSM Testimony
Subject: Support of HB 2598, HD 1 - Relating to Transient Accommodation Tax

Thank you for allowing me the opportunity to submit testimony in strong support of HB 2598, HD1 relating to limiting the distribution of the Transient Accommodation Tax (TAT) to the Counties, effective July 1, 2010 with a sunset date of June 30, 2015.

The Counties need the TAT to support and fund essential services that directly benefit the visitors and residents of our State.

Thank you once again for this opportunity to express our strong support to this bill.

Mahalo,

Milton Sgarbi GENERAL MANAGER

THE ST. REGIS PRINCEVILLE RESORT 5520 KA HAKU ROAD, PRINCEVILLE, KAUA'I, HI, 96722
TELEPHONE: 808.826.2221 FAX: 808.826.2219 STREGIS.COM / PRINCEVILLE

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nishihara1 - Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 12, 2010 5:10 PM
To: TSM Testimony
Cc: bill.medeiros@mauicounty.us
Subject: Testimony for HB2598 on 3/15/2010 1:15:00 PM

Testimony for TSM/TIA 3/15/2010 1:15:00 PM HB2598

Conference room: 224
Testifier position: support
Testifier will be present: No
Submitted by: Bill Kauakea Medeiros
Organization: Individual
Address:
Phone:
E-mail: bill.medeiros@mauicounty.us
Submitted on: 3/12/2010

Comments:

nishihara1 - Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 12, 2010 4:41 PM
To: TSM Testimony
Cc: lparongao@kauai.gov
Subject: Testimony for HB2598 on 3/15/2010 1:15:00 PM
Attachments: HB2598HD1_TAT_Bill Kaipo Asing_Testimony_031510.PDF

Testimony for TSM/TIA 3/15/2010 1:15:00 PM HB2598

Conference room: 224
Testifier position: support
Testifier will be present: No
Submitted by: Bill Kaipo Asing
Organization: Kaua`i County Council Chair
Address: 4396 Rice Street, Room 206 Lihu`e, Hawai`i
Phone: 808-241-5128
E-mail: lparongao@kauai.gov
Submitted on: 3/12/2010

Comments:



nishihara1 - Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 12, 2010 2:30 PM
To: TSM Testimony
Cc: TCroly@maui.net
Subject: Testimony for HB2598 on 3/15/2010 1:15:00 PM

Testimony for TSM/TIA 3/15/2010 1:15:00 PM HB2598

Conference room: 224
Testifier position: oppose
Testifier will be present: No
Submitted by: Thomas Croly
Organization: Individual
Address: 3259 Akala Drive Kihei, HI
Phone: 808-879-7044
E-mail: TCroly@maui.net
Submitted on: 3/12/2010

Comments:

It would be unwise to impose additional fees related to obtaining permits and licenses for starting business in Hawaii. The fees should intentionally be kept low to foster compliance. If the cost of compliance is raised you will find that many businesses will skip compliance and the state will find itself with less revenue in the long run.

Low Fees for licenses lead to small businesses paying the proper GET and TAT. Keep the cost of obtaining permit low to encourage this ongoing compliance. Low fees for permits lead to more business done that is consistent with the rules and regulations surrounding such uses. Increasing fees will discourage people from obtaining proper permits and can result in safety issues to the public at large.

nishihara1 - Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 12, 2010 1:39 PM
To: TSM Testimony
Cc: mauilaub@aol.com
Subject: Testimony for HB2598 on 3/15/2010 1:15:00 PM

Testimony for TSM/TIA 3/15/2010 1:15:00 PM HB2598

Conference room: 224
Testifier position: support
Testifier will be present: No
Submitted by: Paul Laub
Organization: Recycled Bikes and Boards
Address: 1217 Front st. Lahaina
Phone: 442-2450
E-mail: mauilaub@aol.com
Submitted on: 3/12/2010

Comments:

The Counties(Peter) MUST function as the state(Paul) must function. Please do not rob Peter.
Paul has to get back to work now to earn his own money. Thank you.Paul Laub



nishihara1 - Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 12, 2010 3:13 PM
To: TSM Testimony
Cc: bobdi@hawaii.rr.com
Subject: Testimony for HB2598 on 3/15/2010 1:15:00 PM

Testimony for TSM/TIA 3/15/2010 1:15:00 PM HB2598

Conference room: 224
Testifier position: support
Testifier will be present: No
Submitted by: Bob Pure
Organization: WMTA
Address: 2560 Kekaa Drive Lahaina
Phone: 8086613307
E-mail: bobdi@hawaii.rr.com
Submitted on: 3/12/2010

Comments:

