

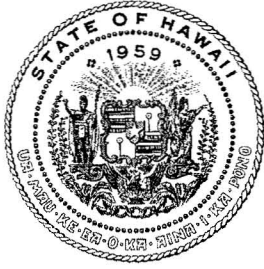
TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2598

February 17, 2010

RELATING TO TRANSIENT ACCOMMODATIONS TAX

House Bill No. 2598 temporarily suspends the distribution of transient accommodations tax revenues to the counties and deposits the revenues into the general fund for three fiscal years, from July 1, 2010 to June 30, 2013.

The projected revenue gain to the general fund over the three-year period is \$315,100,000 - \$99,400,000 in Fiscal Year 2011, \$104,900,000 in Fiscal Year 2012, and \$110,800,000 in Fiscal Year 2013. The deposit of the counties' portion of transient accommodations tax revenues into the general fund is needed to assist in addressing the severe budget shortfall facing the State and deemed a central part of the State's financial plan to support existing programs. Without the deposit of the counties' portion of transient accommodations tax revenues into the general fund, we will have to cut programs substantially to ensure that the State is operating within a balanced budget.



LINDA LINGLE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

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

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
Relating to Transient Accommodations Tax
House Committee on Finance
Wednesday, February 17, 2010
10:00 a.m.
Conference Room 308

The Hawai'i Tourism Authority (HTA) offers comments on H.B. 2598, which suspends the distribution of the transient accommodations tax (TAT) to the counties for three 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)).

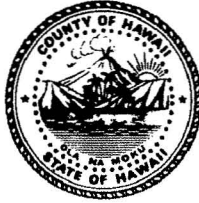
The HTA which developed the *Hawai'i Tourism Strategic Plan: 2005-2015* in 2004, with stakeholders in government, industry and the community throughout the state, recognizes that the counties are important partners in achieving the vision of the plan. Specifically, our county partners are an integral 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 of 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.

The suspension of the distribution of the TAT to the counties may affect 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. However, from the visitor industry's perspective, we have concerns about the loss of the counties' TAT funds and must express them regarding the intent of the potential impact of H.B. 2598.

Thank you for the opportunity to provide these comments.

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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February 17, 2010

Honorable Marcus R. Oshiro, Chair
House Committee on Finance
Hawai'i State Capitol, Room 308, 10 a.m.
415 South Beretania Street
Honolulu, Hawai'i 96813

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

Aloha, Chair Oshiro and Members of the Committee:

The County of Hawai'i strongly opposes H.B. 2598, which would suspend for three years the distribution of transient accommodations tax (TAT) revenues to the counties.

Today you will be presented with testimony from the Mayors of all four counties, who together represent every one of your constituents. That is important because it lays bare a simple, important fact: If this committee votes to take away the counties' share of the hotel room tax, you are taking that money from your own constituents. You are taking away money that today pays for critical programs such as police and fire protection.

Our constituents elected all of us to solve problems, but this bill solves nothing. I understand the state is confronted by budget challenges, but so are the counties. It makes no sense to make your budget situation better while making our budget situation worse. We represent exactly the same people.

When a visitor's plane touches down in Hawai'i, the state collects a landing fee. When the visitor rents a car, the state collects a car rental fee. When the visitor buys a drink, the state collects the liquor tax. When the visitor buys food, the state collects the excise tax. And when the visitor rents a hotel room, the state collects a transient accommodations tax.

Of all of those taxes, only the hotel room tax is shared with the counties, and House Bill 2598 proposes to cut off even that source of funding.

Honorable Marcus Oshiro
Page 2
February 17, 2010

Yet 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.

The Legislature from the very beginning in 1986 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.

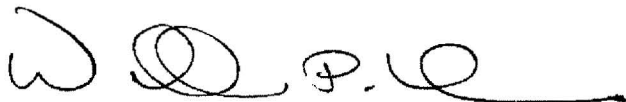
We now have more than one million tourists a year visiting the County of Hawai'i. Honolulu, Maui, Kaua'i and Hawai'i counties have relied on the TAT as a source of revenue for over 20 years and it is the second largest single source of revenue in Hawai'i County's budget – nearly \$18 million.

As you know, the Counties have their own budget challenges, and we 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.

Stripping away the TAT from the Counties would aggravate this situation, and would impose additional cuts in essential services for your constituents. I urge the committee to reject this bill.

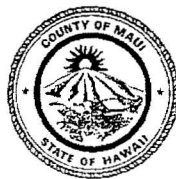
Mahalo for your consideration.

Aloha,

A handwritten signature in black ink, appearing to read 'William 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@mauicounty.gov

OFFICE OF THE MAYOR
County of Maui

February 16, 2010

The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Oshiro and Members:

RE: HB 2598 – RELATING TO TRANSIENT ACCOMMODATIONS TAX

Thank you for the opportunity to testify in opposition to HB 2598, which would suspend for three years, the distribution of transient accommodations tax revenues to the counties.

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 Counties' share of the TAT represents a partnership with the State to help with some of the visitor impacts to the Counties. 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, we will have an additional 17 - 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.

Attached is a chart enumerating how much tax is generated and what portion goes to the State and what portion goes to the Counties on a room that costs \$100. From a total of \$12.25 collected in taxes, Maui County, under the current formula, would receive 84 cents – a small but significant amount.

Throughout past decades, the State and the Counties have been partners in providing services for our constituents – constituents who are both state and county constituents. For example, the counties provide for motor vehicle and driver licensing programs on behalf of the State. The State, in turn, reimburses the counties for some of the costs to operate the

The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance
February 16, 2010
Page 2

programs. Our Police Department enforces State traffic laws and the fines generated all go to the State. Our parks and recreation facilities are used by the State's Department of Education. This includes tracks, gymnasiums, swimming pools and other facilities. The counties provide for administration of state liquor control laws. Fortunately, this program is 100% self-sufficient.

Maui County further supports our partnership by funding programs that are clearly state functions such as our support of Maui Community College's nursing and dental assistant programs, the University of Hawaii CTAR (College of Tropical Agriculture & Human Resources) program, business development and technology programs, aquaculture/marine resources development programs, the Farm Bureau, soil and water conservation districts' programs, watershed protection, invasive species eradication, miconia containment and other environmental protection programs. In our fiscal year 2010 budget the total is approximately \$10 million.

And, as you may know, Maui County invests over \$3 million in county funds to support our visitor industry. We recognize the importance of this industry to the economic well-being of our County. This investment directly impacts how much TAT is collected.

If we stop supporting these programs, our county - our community and our natural resources will be diminished. Many employed in these programs will lose their jobs. All programs have received reductions in the past two years but have been able to adjust with some impacts to the programs.

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. We realized that the budget challenges facing the State would eventually be upon us.

The delay in the severity of revenue shortfalls for the county lags behind the State due to the differing sources of revenues for the State (GET/income taxes) and revenue sources for the Counties (real property taxes/TAT).

Please examine all sources of State revenue from the numerous special funds to the State's own taxing authorities. For Maui County, everything is on the table from raising taxes and fees to cutting non-core services, operating budgets and programs. We are examining all means available to us to get through these challenging times.

The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance
February 16, 2010
Page 3

Please understand that even with our share of the TAT, we are dealing with a significant revenue shortfall of around \$53 million. Without the TAT, our shortfall jumps to \$70 - \$73 million! Making up for these shortfalls puts a huge burden on county taxpayers.

Shifting the responsibility from the State to the County property tax payers and the fee/rate payers for County services, is not fair and undermines the partnership with the State that we have enjoyed in the past.

We, over a million 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.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Charmaine Tavares", with a long, sweeping flourish extending to the right.

CHARMAINE TAVARES
Mayor, County of Maui

Attachment:

TRANSIENT LODGING TAXES ON MAUI

TAXES ON \$100 ROOM	STATE		COUNTIES							
			KAUAI		HAWAII		HONOLULU		MAUI	
4.00% General Excise \$4.00	100%	\$4.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00
8.25% Transient Accommodation \$8.25 (Per HRS 237-D 6.5)	55.20%	\$4.55	6.50%	\$0.54	8.30%	\$0.68	19.80%	\$1.63	10.20%	\$0.84
TOTAL \$12.25	69.83%	\$8.55	4.38%	\$0.54	5.59%	\$0.68	13.33%	\$1.63	6.87%	\$0.84

REVENUE SHARING HRS 237-D 6.5	
STATE 55.20%	COUNTIES 44.80%
	KAUAI 6.50%
	HAWAII 8.30%
	HONOLULU 19.80%
	MAUI 10.20%
	<u>TOTAL 44.80%</u>

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

February 16, 2010

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Danny A. Mateo
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 17, 2010; TESTIMONY IN OPPOSITION TO HB 2598,
RELATING TO TRANSIENT ACCOMODATIONS TAX**

Thank you for the opportunity to testify in opposition to this important measure. The purpose of this measure is to suspend for three years, from July 1, 2010, to June 30, 2013, the distribution of Transient Accommodations Tax (TAT) revenues to the counties.

I oppose this measure for the following reasons:

1. This legislation would unfairly and unwisely eliminate major funding to the counties at a time when we are addressing an economic downturn and corresponding loss of revenue in every major funding source. Such shortfalls will further jeopardize basic health and safety programs for our shared resident constituency. Maintaining the counties' TAT revenue would encourage intergovernmental cooperation in these challenging times.
2. The counties' revenue-generating authority is already minimal, largely limited to real property taxes. By eliminating TAT revenue—a traditional source of county revenue—the State would be forcing the counties to shift the tax burden from visitors to local residents. Sound fiscal practice dictates that the counties' burdens should not be disproportionately borne by just one class of taxpayer (real property taxpayers).
3. There is a rational nexus for visitors to help pay for the use of county facilities and services at the point of impact. TAT revenues should be substantially returned to the local communities where they are earned. This is partly based on the counties' State-mandated responsibility to perform functions that support the visitor industry, such as public safety. Returning a portion of TAT revenue to the counties recognizes the constitutional requirement that the State share in the expense of mandated programs (see Article VIII, Section 5, of the State Constitution).

For the foregoing reasons, I oppose this measure.



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII 96813-3065 / TELEPHONE 547-7000

February 17, 2010

Committee on Finance
House of Representatives
State of Hawaii

Testimony of
Nestor Garcia, Vice Chair, Honolulu City Council
House Bill 2598
Regular Session 2010

Chair Oshiro and members of the Committee:

Thank for you this opportunity to offer testimony in strong opposition to HB 2598

The City & County of Honolulu, like our fellow counties in Hawaii, faces serious financial challenges while making every attempt to provide essential services to residents and visitors alike.

When the Legislature in 1990 passed what would ultimately become Act 185, it acknowledged in Conference Committee Report 207 that much of the burden imposed by tourism falls on the counties, such as police, fire and emergency services, lifeguard services, and maintenance of parks, beaches, roads and water systems, among others.

Act 185 correctly imposed some of the cost of providing these services on tourists through the Transient Accommodations Tax (TAT) and established a method of sharing those revenues among the State and four counties. Act 185 was a progressive way to replace an antiquated, virtually feudal system of having the counties yearly apply for grants in aid from the State to support what is essentially a State policy to actively promote tourism to the Islands.

Each county has rightfully come to rely on its share of the Tourism Accommodations Tax to stabilize its finances and improve budgeting and planning functions. For the State to now pocket all of the TAT revenues without compensation to the counties tells county taxpayers that they must provide free services to tourists at a time when they themselves are facing prospects of increased real property taxes and higher local fees.

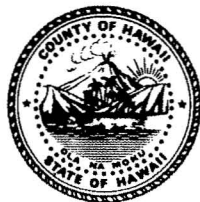
This is simply not right. It violates the Legislature's own spirit and intent as stated in the crafting and approval of Act 185.

Mahalo for this opportunity to provide testimony.

A handwritten signature in black ink, appearing to read "Nestor Garcia".

Councilmember Nestor R. Garcia
Chair, Budget Committee

DENNIS "FRESH" ONISHI
Council Member
District 4



PHONE: (808) 961-8396
FAX: (808) 961-8912
EMAIL: donishi@co.hawaii.hi.us

HAWAI'I COUNTY COUNCIL

Mailing Address: 25 Aupuni Street, Hilo, Hawai'i 96720

February 16, 2010

TESTIMONY OF DENNIS "FRESH" ONISHI
HAWAI'I COUNTY COUNCIL MEMBER
ON

H.B. NO. 2598, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
House Committee on Finance
February 17, 2010
10:00 a.m.
House Conference Room 308

Dear Chair Oshiro and Members of the House Committee on Finance:

Thank you for the opportunity to submit testimony in opposition of HB No. 2598, relating to the Transient Accommodations Tax. As a member of the Hawai'i County Council and its Finance Committee Chair, I strongly oppose this Bill, which would suspend for three years, effective July 01, 2010 through June 30, 2013, the distribution of the Transient Accommodations Tax (TAT) to the Counties.

In 1990, the Hawai'i State Legislature enacted Act 185, which gave the counties a share of the TAT, as a more equitable method of sharing state revenues. It was acknowledged that many of the burdens imposed by tourism fall on the counties, including the costs of providing police and fire protection and maintaining county parks, beaches, water systems, roads, sewer systems and other tourism related infrastructure. The counties have come to rely on its share of the TAT

In Hawai'i County, the TAT is about 5.5% of the current budget and it is our second largest source of revenues after real property taxes. Suspending the TAT will have a negative impact on the services the counties provide. Important programs and services may have to be cut back or even eliminated, and this will detrimentally affect our communities. Therefore, I urge you to oppose HB No. 2598.

Once again I thank you for the opportunity to present testimony in opposition of HB No. 2598.

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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LIHU'E, KAUAI, 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

February 16, 2010

**TESTIMONY OF TIM BYNUM
KAUAI COUNTY COUNCILMEMBER
ON
H. B. NO. 2598, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
House Committee on Finance
February 17, 2010
10:00 a.m.
Conference Room 308**

Dear Chair Oshiro and Members of the House Committee on Finance:

I submit this testimony in opposition to H.B. No. 2598, as an individual member of the Kauai County Council and as the Chair of its Public Works/Elderly Affairs Committee.

I am in opposition to this bill because Kauai County is also impacted by the decreased amount of visitors on our island and that we are currently receiving a reasonable allocation from the transient accommodations tax; however, if the suspension of the TAT were to pass, it would financially devastate the County of Kauai. Further, it would seem inappropriate for the State to balance its budget on the backs of the counties.

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

Sincerely,

TIM BYNUM
Kauai County Councilmember

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
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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.maui-county.gov/council

February 16, 2010

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Gladys C. Baisa
Council Member

A handwritten signature in black ink, appearing to be "GCB", is written over the name "Gladys C. Baisa" in the "FROM:" field.

SUBJECT: **HEARING ON FEBRUARY 17, 2010; TESTIMONY IN OPPOSITION TO
HB 2598, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in opposition to this important measure. The purpose of this measure is to suspend for three years, from July 1, 2010, to June 30, 2013, the distribution of Transient Accommodations Tax (TAT) revenues to the counties.

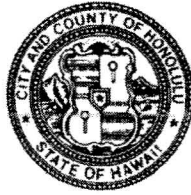
I oppose HB 2598 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to oppose this measure.

GCB:amm

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 * FAX: (808) 768-4242 * INTERNET: www.honolulu.gov

MUFI HANNEMANN
MAYOR



February 17, 2010

The Honorable Marcus R. Oshiro, Chair
and Members
Committee on Finance
House of Representatives
The Twenty-Fifth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Committee Members:

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

The City and County of Honolulu (City) is opposed to H.B. No. 2598, Relating to the Transient Accommodations Tax, which proposes to suspend the counties' share of the Transient Accommodations Tax (TAT) for the three-year period beginning July 1, 2010, and ending June 30, 2013.

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 were projecting a \$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, we are continuing the collective bargaining process with 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 we proceed to finalize our FY 2011 budget we very much are concerned about proposals such as H.B. 2598, the enactment of which would increase 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 \$35 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 day 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 Mokuleia, 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, Kualoa Regional Park, Swanzey 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-power 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

The Honorable Marcus R. Oshiro, Chair
and Members
Page 7

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. The City opposes H.B. No. 2598, and we hope this committee takes appropriate action to ensure that it not proceed any further in the legislative process.

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 1/1/2010						
PROJECT TITLE	PROJECT DESCRIPTION	CONSTRUCTION CONTRACT NO.	ESTIMATED CONSTRUCTION COST (for future projects)	ACTUAL CONSTRUCTION AMOUNT	% CONSTR. DONE	PROJECT STATUS
CONSTRUCTION PHASE						
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.
Fort DeRussy Wastewater Pump Station Interim Modification	Rehabilitation of the pump station structure and replacement of the two flomatch 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 addra 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.	F51935		\$2,747,000.00	0	Ground breaking for construction was on November 18, 2009. Anticipated to complete in 2011.
Kalakaua Ave Sewer Rehabilitation - Kalakaua Ave portion (SMPR 27 portion)	Preparation of Design Alternatives Report and 10% design.	CT-ENV-0700321		\$3,960,748.00	0	Construction to start in early 2010.
Kapiolani Area Revised Sewer System (SCIP 16 portion, SCIP 26 portion, SMPR 12, SMPR 16)	Sewer Line Rehabilitation/Replacement in Kapiolani Area.	CT-ENV-0700339		\$11,711,311.00	98	construction ongoing. anticipated completion 08/10
Rehabilitation of Streets, Unit 62 (Ala Wai Blvd)	Rehabilitate portion of Ala Wai Blvd.	CT-DDC-0900448		\$2,130,284.00	45	Construction ongoing.
Waikiki Fire Station Reroofing	Reroofing of Waikiki Fire Station.	CT-DDC-1000152		\$345,678.00	0	Low Bidder Tory's Roofing & Waterproofing Inc @ \$345,678 + 34,567 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. Punchlist work remaining.
Waikiki Shell Fixed Seating	Renovate fixed seating.	CT-DES-0900057		\$269,824.00	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.
				TOTAL:	\$60,212,968.98	
PLANNING/DESIGN PHASE						
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 Lewers between Ala Wai & Kuhio; environmental documents.		\$4,001,000		0	Awaiting ENV decision to go design/build. Funds programmed for FY13.
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.
Hobron Lane and Hanapepe Loop Drain Outfall Improvements		\$620,000		
Honolulu Zoo - Hippo Filtration System	Hippo facility needs a filtration apparatus including tanks and catchbuckets.	\$600,000	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.	\$290,000	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	\$6,250,000		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.
Kapiolani Regional park Bandstand Redevelopment	Design the renovation of the Kapiolani Bandstand, such as the public address system, basement drain, roof, and security grills.	\$650,000		Consultant contract executed.
Kapiolani Regional Park Reconstruction of Parking Lot	Reconstruct Shell parking.	\$3,500,000		Design ongoing.
Kuhio Avenue Landscape Plan	Design irrigation improvements for BRT yard.	\$300,000	0	consultant contract being closed out.
Ocean Safety Sub - Station District I Replacement	replacement of ocean safety substation.	\$1,500,000	0	design ongoing.
Palani 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 Kaiulani, Kaiulani to Kapahulu and Aia Wai to Lewers.	\$890,000	0	consultant selected. Consultant procurement process ongoing.
Waikiki Seawall - Mitigative Improvements at Parks	Mitigative improvements to deteriorated seawalls.	\$900,000	0	Awaiting development of scope and fee proposal from selected consultant.
Waikiki Sewer Rehabilitation/Reconstruction (SI-CS-59)	Rehab and/or reconstruct 2110 lf of sewerlines and 45 manholes in the Waikiki area along Kuhio Avenue, deemed hydraulically and/or structurally compromised.	\$41,100,000	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.	\$430,000	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.

DDC PROJECTS PLANNED AND ONGOING IN WAIKIKI AREA

Waikiki War Memorial and Natatorium Complex / Waikiki Beach Shoreline Restoration	Plan, design and construct mitigation, such as shoreline, beach restoration and stabilization improvements. Study includes long range planning and contingency planning.		\$5,300,000		0 Natatorium Task force recommendation is to demolish the Natatorium and rebuild the arches on site.
		TOTAL:	\$126,816,000.00		

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

**TESTIMONY ON BEHALF OF THE COUNTY OF KAUAI
ON HB 2598 RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for allowing me the opportunity to submit testimony in opposition to H.B. No. 2598 which proposes to suspend the Counties' share of the Transient Accommodations Tax until June 30, 2013.

I think we all understand the history behind the creation of the transient accommodations tax (TAT). It was established in 1986 under Act 304, Session Laws of Hawaii and imposed a five per cent (5%) tax on the gross revenues derived from the furnishing of transient accommodations.

While it is recognized that the TAT would be used to assist the Counties with providing County services that increased with the pressures and the demands of the visitor industry, over its 20 year history, the fate and distribution of the tax has evolved. At 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 are used for the following:

<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 summary clearly indicates that we are using the TAT in conformance with original intent for which the TAT was established. There is very little doubt that we need the TAT to support and fund essential services that directly benefit both our visitors and residents.

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.

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 have been employed this year to deal with the shortfall in revenues. We conservatively estimate that these measures have saved the County \$3.8 million in the current fiscal year.

We are currently in the process of developing our proposed budget for fiscal year 2011, which will be submitted to the Kaua'i County Council on March 15, 2010 and are anticipating a \$17 million to \$29 million shortfall in revenues over 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 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

We are here today to ask that we work to find a fair and reasonable alternative for addressing our collective revenue shortfalls. We believe that through cooperation, we can find ways to continue providing the needed services to maintain the quality of life that our residents and visitors expect and deserve.

Thank you again for this opportunity to express our concerns and willingness to work towards our common goal of serving our people of Hawaii.

Gary Heu
Mayor's Administrative Assistant
County of Kaua'i

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

February 16, 2010

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Joseph Pontanilla, Treasurer
Hawaii State Association of Counties

A handwritten signature in black ink that reads "Joseph Pontanilla".

SUBJECT: **HEARING OF FEBRUARY 17, 2010; TESTIMONY IN OPPOSITION TO HB 2598,
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in opposition to this important measure. The purpose of this measure is to suspend the payment of the counties' portion of the transient accommodations tax for approximately three years, from July 1, 2010, to June 30, 2013.

I am aware that the President of the Hawaii State Association of Counties (HSAC) has submitted testimony, on behalf of HSAC, in opposition to this measure. As the Treasurer of HSAC, I concur with the testimony submitted by the President, and urge you to oppose this measure.

HAWAII COUNCIL OF MAYORS

Testimony of the

Hawaii Council of Mayors

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

Before a Hearing of the
House Committee on Finance

February 17, 2010

House Bill 2598, Relating to the Transient Accommodations Tax

The Hawaii Council of Mayors opposes House Bill 2598, which proposes to suspend the distribution of transient accommodation tax revenues to the counties.

The mayors recognize the state's fiscal challenges, and we face many of our own at the county level. That noted, we are united in our opposition to this proposal because the county governments maintain the public safety services, water and sewer infrastructure, roads, transportation, parks, and public facilities that support and benefit the visitor industry. Reductions in funding would have a direct impact on the very industry that generates the hotel room tax revenues. 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.

We are each submitting county-specific testimony that details the services provided by our counties that would be adversely affected by any suspension of the revenue-sharing.

Mahalo.



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



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



Mayor Bernard Carvalho, Jr.
County of Kauai
444 Rice Street
Lihue, Hawaii 96766



Mayor Charmaine Tavares
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

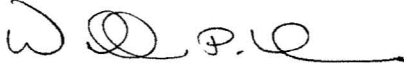
Aloha,



Bernard P. Carvalho, Jr.
Mayor of Kauai



Mufi Hannemann
Mayor of Honolulu



William P. Kenoi
Mayor of Hawaii



Charmaine Tavares
Mayor of Maui



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 17, 2010

H.B. 2598 – RELATING TO
TRANSIENT ACCOMMODATIONS
TAX

The Hawaii Government Employees Association strongly opposes the purpose and intent of H.B. 2598. It proposes to suspend the distribution of transient accommodations tax (TAT) revenues to the counties for a three year period (7/1/10 - 6/30/13). The TAT is an important source of tax revenue for all four counties. Although the counties are not currently facing as dire a situation as the state, Hawaii County and the City and County of Honolulu will need to close their projected budget deficits in fiscal year 2010 and fiscal year 2011.

The counties are already 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 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.

Even without this proposal, the counties may receive only a small increase in TAT revenues because of the slow recovery in tourism. The Department of Taxation recently reported that TAT collections were up 3% during the current fiscal year. It is counterproductive to shift the 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 opposition to H.B. 2598.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director



The Twenty-Fifth Legislature
Regular Session of 2010

The House of Representatives
Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lec, Vice Chair

State Capitol, Conference Room 308
Wednesday, February 17, 2010, 10:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2598
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

The ILWU Local 142 opposes H.B. 2598 Relating to Transient Accommodations Tax which will suspend the distribution of the Counties' share of the TAT from July 1, 2010 to June 30, 2013.

The hotel industry long opposed the imposition of a hotel room tax as detrimental to Hawaii in a highly competitive worldwide tourism market. However, with the need to fund the building of the Hawaii Convention Center and the allocation of dedicated funding for Hawaii tourism promotion, the establishment of the Transient Accommodations Tax (TAT) made sense. As part of that consensus, a portion of the TAT collected was allocated to the Counties. 44.8% of the total is allocated and distributed by formula among the Counties -- 14.5% to the County of Kauai, 18.6% to Hawaii County, 22.8% to the County of Maui and 44.1% to the City and County of Honolulu. The allocation recognizes that there is a direct and indirect impact on the Counties from the tourism industry and that the TAT is collected from hotel room rentals from throughout the State of Hawaii, while the Hawaii Convention Center is physically located on Oahu.

While it is understandable that the current fiscal crisis in the State of Hawaii has led to the consideration of many different options in order to fill the shortfall in the State budget and it is noteworthy that this is about a three year suspension of the distribution of the Counties' share of the TAT, not a repeal, nevertheless, we have great concern about the negative impact on the Counties, that in general have only one option to raise income, and in particular the neighbor island Counties, which have experienced a disproportional impact from the economic downturn.

For the ILWU Local 142, over half of our membership work in the tourism industry, and about 75% to 80% of our members live and work on the neighbor islands.

Thank you for considering our views on this important matter.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Suspend distribution to counties

BILL NUMBER: SB 2751; HB 2598 (Identical)

INTRODUCED BY: SB by Hanabusa by request; HB by Say by request

BRIEF SUMMARY: Amends HRS section 237D-6.5 to suspend the distribution of transient accommodations tax revenues to the counties between July 1, 2010 and June 30, 2013. The remainder of the revenues collected shall be deposited into the state treasury as a state realization.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-12(10). The proposed measure would suspend the transfer of TAT revenues to the counties from July 1, 2010 to June 30, 2013 in an effort to provide another source of general fund revenues to address the state's budget crisis. It should be noted that since the TAT is a major source of revenue for the counties, any reduction of TAT revenues will have to be made up through increases in the property tax, the counties largest source of revenue. If lawmakers believe that they can fool their constituents by raiding the counties share of the TAT, the counties will, no doubt, let real property taxpayers know why their taxes will have to be raised as it is certain that the counties will not want to shoulder the blame alone.

If the state wishes to suspend the TAT, then consideration must be given to replacing the lost revenues either with a grant-in-aid or another source as grant-in-aids to the counties were repealed by Act 338, SLH 1989. At the very least, given that the counties are in the midst of their budget making process, consideration might be given to early passage of this measure so the counties can construct their budgets with some or without any of the TAT receipts for next year's budget.

It should be remembered the TAT sharing is really a windfall considering the counties' plea for the complete control of the real property tax at the 1978 Constitutional Convention. At that time, they told convention delegates that if they could have complete control over the real property tax, they would be able to raise the revenues they needed. However, that promise was short lived as county officials were back at the legislature as soon as the early 1980's begging for grants-in-aid or other taxing powers. It was only when the TAT contributed embarrassing riches for the general fund in the late 1980's did the legislature take some of the TAT funds to make a one-time grant to the counties. Later, when the TAT was earmarked for the convention center, lawmakers earmarked a fixed percentage of TAT collections for each county. It should be noted that the counties have been less than good stewards of the real property tax with which they had been entrusted. Over the years, they shifted more and more of the real property tax burden on to nonresidential classes of property while their spending appetites grew. This created the illusion for residential owners that more programs could be had without raising property taxes on residential property. Now that the nonresidential properties have been tapped out, local government officials find it difficult to go back to homeowners and ask for increases in their property taxes.

So are state officials justified in taking back the TAT revenues that are currently earmarked for the counties? State officials should remember that just as much as they are in a difficult place facing a revenue shortfall of more than \$1.2 billion for the fiscal biennium, taking away the TAT grants will place the counties in a very similar, if not relative, position. 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 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 is what 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 2/16/10



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**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION**

February 17, 2010

RE: HB 2598 Relating to the Transient Accommodations Tax

Good morning Chairman Oshiro and members of the House Committee on Finance. 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 opposes HB 2598 Relating to the Transient Accommodations Tax. This bill would suspend TAT distribution to the counties for 3 years. We recognize that the State is facing severe budget problems, but we do not support this solution. Transient Accommodations Tax ("TAT") revenues were given to the counties in recognition that many of the impacts and infrastructure requirements generated by the visitors fall under county jurisdiction. We believe this situation continues today and these funds should continue to be provided to the counties.

Since the counties have limited options for raising revenue, diversion of the TAT revenue away from them would only shift part of the fiscal problem from one level of government to another. In fact, the counties have fewer options to consider when dealing with difficult economic times.

Mahalo for this opportunity to testify.

FINTestimony

From: Lorraine Hora [lorrainehora@yahoo.com]
Date: Sunday, February 14, 2010 11:51 PM
Subject: FINTestimony
HB 2598

Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Wednesday, February 17, 2010
10:00 AM
Conference Room 308
State Capitol
415 South Beretania Street

RE: HB 2598 Relating to Transient Accommodation Tax

Hawaii State Teachers Association- Retired, Hawaii District, OPPOSE HB 2598.

At our Annual General Membership Meeting, a motion was made and passed that HSTA-Retired, Hawaii District, support the Counties to retain their fair share of the Transient Accommodation Tax revenues. The Counties need this revenue to maintain the services and infrastructure that are enjoyed by our visitors. It is the Counties' fiduciary responsibility to assure the visitors' safe stay and provide access to public areas and emergency services. The neighbor island counties are not urban populations. They must maintain and continue to improve infrastructure and services as visitor counts increase with added national and international flights coming directly to the neighbor islands. The loss of the TAT revenue, even for 3 years, will be a huge deficit in the operation of the County governments.

We ask that your Committee NOT pass HB 2598.

Thank you for the opportunity to testify.

Sincerely,
Lorraine M Hora
HSTA-Retired
Hawaii District President
648 Hinano Street
Hilo, HI 96720

February 16, 2010

Committee: FIN

Room: 308 Hearing

Date: 2/17/2010 10:00:00 AM

I strongly oppose HB2598 that would take away the Counties' portion of the TAT for the next three years.

Do not take our much needed TAT from Kauai.

Marianne Martin

General Manager

Whalers Cove Resort in Poipu

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 16, 2010 2:31 PM
To: FINTestimony
Cc: stephanie.iona@astonhotels.com
Subject: Testimony for HB2598 on 2/17/2010 10:00:00 AM

Testimony for FIN 2/17/2010 10:00:00 AM HB2598

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Stephanie Iona
Organization: Waimea Plantation Cottages
Address: Post Office Box 1117 Waimea, Hawaii
Phone: 808-478-5045
E-mail: stephanie.iona@astonhotels.com
Submitted on: 2/16/2010

Comments:

We ask kindly that the TAT funds remain as they have been since its inception with our County. The funds are part of our County's efforts to provide services to our Resort and our guests who pay these taxes expect to have these services in tact. Thank you.