

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to counties

BILL NUMBER: HB 1671

INTRODUCED BY: Souki, Carroll, Ing, McKelvey, Woodson, Yamashita

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(3) to provide that transient accommodations tax (TAT) revenues shall be distributed to the counties on a percentage basis (44.8%) rather than the amount of \$93 million.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: Due to the dire financial condition of the state, the legislature by Act 103, SLH 2011, limited the distribution of TAT revenues to the counties at \$93 million, which resulted in more residual TAT revenue being deposited into the state general fund. While Act 103 provided that the \$93 million limitation was to sunset on June 30, 2015, the legislature by Act 161, SLH 2013, changed the distributions of TAT revenue from a percentage basis to a specific dollar amount and not only left the \$93 million limit of TAT revenues distributed to the counties, but made it permanent by repealing the June 30, 2015 sunset date.

What this proposal underscores is the fact that both state and county governments have grown well beyond their means and are searching for more available revenue. 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 search for more and higher taxes has to stop somewhere. Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 1/30/14

Council Chair
Gladys C. Baisa

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Michael P. Victorino

Council Members
Elle Cochran
Donald G. Couch, Jr.
Stacy Crivello
Don S. Guzman
G. Riki Hokama
Mike White

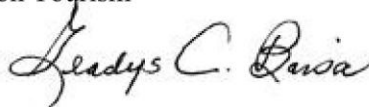


Director of Council Services
David M. Raatz, Jr., Esq.

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

January 31, 2014

TO: The Honorable Tom Brower, Chair
House Committee on Tourism

FROM: Gladys C. Baisa
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 3, 2014; TESTIMONY IN SUPPORT OF HB 1671,
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 remove the current cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establish the distribution of these revenues as a percentage of TAT collected.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. This bill removes the cap on TAT revenues distributed to the counties. The cap was understood to be a temporary measure to assist the state with a budget shortfall, and removing it will resume the distribution of a proportional share of county-earned TAT revenues. With the state economy recovering and TAT collections increasing, there is no further justification for the cap.
2. Increases in visitor counts mean higher demands and costs for infrastructure and services including public safety. Removal of the cap would mean an increase in the current allocation of TAT revenues distributed to Maui County. These TAT revenues would lessen the burden of the visitor-related costs on our county residents and the real property tax revenues.
3. The counties will use the TAT revenues to provide services and infrastructure investments necessary for our state to maintain its competitive edge over other travel destinations and to continue to attract visitors. This will benefit Hawaii.

For the foregoing reasons, I **support** this measure.

Mike White
Council Member
Makawao - Ha'ikū - Pā'ia



Gladys C. Baisa
Council Chair

Chair
Budget and Finance Committee

Member
Economic Development, Energy,
Agriculture, and Recreation
Committee
Infrastructure and Environmental
Management Committee
Land Use Committee
Planning Committee
Policy and Intergovernmental
Affairs Committee
Water Resources Committee

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

January 31, 2014

TO: The Honorable Tom Brower, Chair
House Committee on Tourism

FROM: Mike White, Chair 
Budget and Finance Committee

SUBJECT: **HEARING OF FEBRUARY 3, 2014; TESTIMONY IN SUPPORT OF
H.B. 1671, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support** of this important measure. The Maui County Council has not had the opportunity to take a formal position on this matter and therefore, I am providing this testimony in my capacity as an individual member of the Council.

I **support** the elimination of a cap on the county's share of the transient accommodations tax ("TAT") for the following reasons:

1. The TAT was increased from 7.25 to 9.25 percent between 2009 and 2010, and in 2011, the counties share of the TAT was capped at \$93 million, which was meant to be temporary. This change allowed the State to realize a significant increase in revenues and balance the State's budget at a time when general excise tax collections were in decline. Beginning in 2011, counties experienced a significant drop in property values that continued through 2013. Since the economic recovery, State revenues have increased 32% from \$4.9 billion in 2009 to \$6.5 billion in 2013. Unfortunately, County property values have not recovered at the same pace. In fact, neighbor islands saw significantly larger declines than Oahu. Revenues for Maui County were only bolstered by significant tax increases to balance our budget. Therefore, as State revenues continue to grow and a surplus recognized, the State must assist counties and provide relief by removing the cap.
2. Since being given a share of the TAT, the funds have become vital to each county in offsetting the greater impact of the visitor industry on county services such as parks, beaches, water, roads, sewage systems and other tourism-related infrastructure. As the visitor counts begin to recover, the counties are left with greater upkeep of infrastructure.
3. Reductions in the allocation of TAT revenues has unfairly burdened residents through increases in real property taxes and other fees to maintain core services that could

The Honorable Tom Brower

January 31, 2014

Page 2

have been offset by the full allocation of TAT generated by hotels and visitor accommodations in each county.

4. A portion of TAT revenues are also used for marketing costs to compete against destinations outspending Hawai'i. Even with these additional marketing funds, many counties, including Maui County, have elected to supplementary fund marketing costs to bolster economic activity. Maui County annually contributes over \$3 million to the Maui Visitors Bureau and without an increase in the TAT, we would be unable to compete with other destinations that have become increasingly competitive.
5. The neighbor islands have had a greater impact during the economic recession with larger declines in visitor counts and real property tax values. Therefore, to offset revenues, neighbor island residents have been taxed significantly more than residents on Oahu.

For the foregoing reasons, I **support** this measure. Thank you for your consideration.

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

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Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

January 31, 2014

TESTIMONY OF GARY L. HOOSER
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON

HB 1671, RELATING TO TRANSIENT ACCOMMODATIONS TAX
Committee on Tourism
Monday, February 3, 2014
9:30 a.m.
Conference Room 312

Dear Chair Brower and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, relating to the Transient Accommodations Tax. My testimony is submitted in my capacity as Chair of the Economic Development (Sustainability / Agriculture / Food / Energy) & Intergovernmental Relations Committee and Councilmember of the Kaua'i County Council.

HB 1671 in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on the distribution of revenues on the percentage of TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

It is estimated that the County of Kaua'i is expected to assume an approximate \$8.8 million shortfall for Fiscal Year 2014-2015 alone. A major contributor to this shortage is from the Collective Bargaining increases approved this past year. Because of this shortfall, the County is faced with seeking additional revenue sources just to keep afloat for the upcoming Fiscal Year.

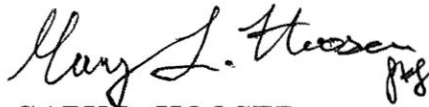
Last year, an analysis on the Visitor Related Expenses was conducted by Kaua'i County Councilmembers, and concluded that for Fiscal Year 2011-2012, the County of Kaua'i expended approximately \$44 million on visitor related expenses alone. Visitor expenses included services for public safety (i.e. Fire and Police), parks (i.e. maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.) and others. In any given day, visitors comprise approximately 21% of the population on Kaua'i. The visitor industry is one of our primary economic engines; and to maintain our loyal visitor base, we need to meet their high demand and expectations.

Representative Tom Brower & Committee Members
RE: HB 1671, Relating to Transient Accommodations Tax
January 31, 2014
Page 2

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive approximately \$10 million in additional revenue for much needed services for the County. This additional revenue will greatly assist the County in meeting the increasing demand and expectations of our visitors and citizens alike.

For the reasons stated above, I respectfully request the Committee to approve this measure. Again, thank you for this opportunity to submit testimony.

Sincerely,

A handwritten signature in cursive script that reads "Gary L. Hooser" with a small flourish at the end.

GARY L. HOOSER
Councilmember, Kaua'i County Council

AB:aa

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
Mel Rapozo
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

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Council Services Division
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Lihue, Kauai, Hawaii 96766

January 31, 2014

**TESTIMONY OF MEL RAPOZO
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON**

**HB 1671, RELATING TO TRANSIENT ACCOMMODATIONS TAX
Committee on Tourism
Monday, February 3, 2014
9:30 a.m.
Conference Room 312**

Dear Chair Brower and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, relating to the Transient Accommodations Tax. My testimony is submitted in my capacity as Councilmember of the Kauai County Council.

HB 1671 in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on the distribution of revenues on the percentage of TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawaii (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year.

It is estimated that the County of Kauai is expected to assume an approximate \$8.8 million shortfall for Fiscal Year 2014-2015 alone. A major contributor to this shortage is from the Collective Bargaining increases approved this past year. Because of this shortfall, the County is faced with seeking additional revenue sources just to keep afloat for the upcoming Fiscal Year.

Last year, an analysis on the Visitor Related Expenses was conducted by Kauai County Councilmembers, and concluded that for Fiscal Year 2011-2012, the County of Kauai expended approximately \$44 million on visitor related expenses alone. Visitor expenses included services for public safety (i.e. Fire and Police), parks (i.e. maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.) and others. On any given day, visitors comprise approximately 21% of the population on Kauai. The visitor industry is one of our primary economic engines; and to maintain our loyal visitor base, we need to meet their high demand and expectations.

Representative Tom Brower & Committee Members
RE: HB 1671, Relating to Transient Accommodations Tax
January 31, 2014
Page 2

Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the Counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive approximately \$10 million in additional revenue for much needed services for the County. This additional revenue will greatly assist the County in meeting the increasing demand and expectations of our visitors and citizens alike.

For the reasons stated above, I respectfully request the Committee to approve this measure. Again, thank you for this opportunity to submit testimony.

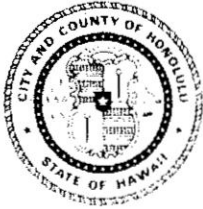
Sincerely,

A handwritten signature in black ink, appearing to read 'Mel Rapozo', with a small flourish or mark at the end.

MEL RAPOZO

Councilmember, Kaua'i County Council

AB:aa



CITY COUNCIL

CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 202
HONOLULU, HAWAII 96813-3065
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

ERNEST Y. MARTIN
CHAIR and PRESIDING OFFICER
HONOLULU CITY COUNCIL
DISTRICT 2
TELEPHONE: (808) 768-5002
FAX: (808) 768-1222
EMAIL: emartin@honolulu.gov

H.B. 1671
Committee on Tourism
Rep. Tom Brower, Chair
Conference Room 312

January 31, 2014

TO: The Honorable Tom Brower, Chair
House Committee on Tourism

FROM: Chair and Presiding Officer Ernie Martin
Honolulu City Council

RE: **HEARING OF FEBRUARY 3, 2014: TESTIMONY IN SUPPORT OF HB 1671, RELATING TO TRANSIENT ACCOMODATIONS TAX**

I appreciate the opportunity to testify in **strong support** of this very important measure that removes the current cap on the transient accommodations tax (TAT). The Honolulu City Council has not had the opportunity to take a formal position yet on HB 1671. As a result, I am providing testimony in my capacity as an individual member of the Honolulu City Council.

Over the past few years, Honolulu contributed millions of dollars to upgrade and renovate several areas of Waikiki to enhance the visitor experience. The additional TAT revenues the counties receive would go a long way in maintaining our beaches and parks, to continue to promote our state as a premium visitor destination and, specifically for Honolulu, to avoid enacting poorly conceived revenue-enhancing measures that would negatively infringe upon our well-deserved and longstanding image as one of the most desired tourist destinations in the world.

Therefore, I strongly support this measure as it removes the cap on TAT revenues that are distributed to all of Hawaii's counties. Since the Hawaii State economy is recovering and collections from the TAT have been increasing, the cap is no longer necessary. Increased TAT revenues are so needed to provide for the increase of visitor related costs to the counties especially in the areas of core city services and infrastructure.

Ultimately, the counties are committed to use the increased TAT revenues to provide for vital core city services and necessary infrastructure improvements that will provide for the people of the State of Hawaii, accommodate tourists on their vacations, and attract more visitors to our state. For all of the reasons stated above, I **strongly support** HB 1671.

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



KIRK CALDWELL
MAYOR

EMBER LEE SHINN
MANAGING DIRECTOR
GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE COMMITTEE ON TOURISM
Monday, February 3, 2013, 9:30 a.m., Conference Room 312

HOUSE Bill 1671, "RELATING TO TRANSIENT ACCOMMODATIONS TAX"
Position: In Support

TO: The Honorable Tom Brower, Chair
and Members of the Committee on Tourism

The City and County of Honolulu (City) supports House Bill 1671, "Relating to Transient Accommodations Tax", which removes the cap on transient accommodations tax (TAT) to the counties. Currently, the cap limits the City's TAT revenues to about \$41 million per year, which is far less than the City's annual tourism-related expenditures.

The City supports the tourism industry and recognizes the benefit that tourism provides to the City's economy. However, the City incurs significant public safety, transportation and other costs related to tourism, including the following:

- Honolulu Police Department (HPD) expended \$9.3 to \$11 million and utilized 168 full-time employees each year to provide police services to the Waikiki area during FY 2012 through FY 2014. In FY 2015, HPD's budget request includes \$12.6 million to provide police services to the Waikiki area.
- Honolulu Fire Department (HFD) estimates annual expenditures of \$5.7 million for services provided to areas of high tourist concentration and training costs associated with these activities. This includes \$4.9 million for responses to approximately 2,400 fire alarms in Waikiki, and \$420,000 for responses to approximately 140 alarms to the Diamond Head trail, as well as other expenditures.
- The City has ongoing capital improvement projects in the Waikiki area with actual construction amounts totaling over \$54 million, and is planning projects which will cost an estimated \$38.2 million to construct. These projects include sewer projects, park improvements, ocean safety substation replacement, street and sidewalk improvements, and improvements at the Waikiki Shell and Honolulu Zoo.

- The Department of Transportation Services (DTS) estimates that tourists comprise approximately 6% of the City's public transit ridership. During FY 2013, the impact of tourism on the public transit system was about \$8.5 million. Also, the department incurs \$12,000 per year in unreimbursed overtime costs related to managing certain tourism related events that the City co-sponsors. These events include the Pro Bowl Block Party, Ekiden, Honolulu Festival Parade, Shinnyo-En Lantern Floating, Pan Pacific Hoolaulea, and Pan Pacific Parade.

The costs detailed above total \$119 million, primarily for the Waikiki area. In addition to these costs, the City incurs significant costs for infrastructure including roads, parks and other facilities across the island that tourists utilize along with our residents when they travel throughout the City. These costs are difficult to quantify, but when added to the costs above would far exceed the \$41 million per year in TAT that the City currently receives. H.B. 1671 would reimburse the City for a larger share of its costs related to tourism, and reduce the amount that residents of the City will pay to subsidize the costs related to tourism.

I would like to thank Speaker Souki for his leadership in introducing H.B. 1671 and recognizing the partnership between the State and the counties, to support tourism.

Thank you for the opportunity to testify on H. B. 1671 and I ask that the committee pass this measure.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON TOURISM
ON
HOUSE BILL NO. 1671

February 3, 2014

RELATING TO TRANSIENT ACCOMMODATIONS TAX

House Bill No. 1671 removes the current \$93 million cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establishes the distribution of these revenues at 44.8% of the TAT collected under Section 237D-6.5, Subsection (b), Hawaii Revised Statutes (HRS).

The Department of Budget and Finance has serious concerns regarding the removal of the \$93 million cap on TAT revenues that are distributed to the counties under Section 237D-6.5, Subsection (b), HRS. Removing the cap and establishing the distribution of the TAT revenues to the counties at 44.8% of the TAT collected, would result in the following significant general fund tax losses on the State's financial plan:

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>
General Fund Loss (Million)	\$81	\$98	\$107	\$116	\$126

These tax losses are currently not provided for in the financial plan, in the proposed Budget-in-Brief, or the Council on Revenues' forecast for future fiscal years. Any revision to currently forecasted revenue should be deliberated on the financial plan for forward-looking sustainability as the Legislature will have to contend with funding programs for the long-term. The Administration has developed the six-year financial plan with an eye and objective towards sustainability across economic cycles without the need for state tax increases and ensuring positive ending balances in each year of the financial plan. Measures such as this would require reassessment if those objectives are achievable.

COUNTY COUNCIL

Jay Furfaro, Chair
Mason K. Chock, Sr., Vice Chair
Tim Bynum
Gary L. Hooser
Ross Kagawa
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OFFICE OF THE COUNTY CLERK

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Council Services Division
4396 Rice Street, Suite 209
Līhū'e, Kaua'i, Hawai'i 96766

January 31, 2014

TESTIMONY OF JAY FURFARO
COUNCIL CHAIR, KAUAI COUNTY COUNCIL
ON
HB 1671, RELATING TO TRANSIENT ACCOMMODATIONS TAX
Committee on Tourism
Monday, February 3, 2014
9:30 a.m.
Conference Room 312

Dear Chair Brower and Committee Members:

Thank you for this opportunity to submit testimony in support of HB 1671, relating to the Transient Accommodations Tax. My testimony is submitted in my capacity as Chair of the Kaua'i County Council.

HB 1671 in its current form will remove the cap on the Counties share of the Transient Accommodations Tax (TAT) revenues, which will be based on the distribution of revenues on the percentage of TAT collected.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. This has resulted in millions of dollars of lost revenue to the Counties, and is evident in the tremendous increase in TAT collections each year. Currently, the County of Kaua'i receives \$13,485,000 of TAT revenues from the State. If the cap for the counties is removed, and if the TAT rate remains at 9.25%, the County of Kaua'i will receive approximately \$10 million in additional revenue for much needed services for the County.

In my estimations, the County of Kaua'i may assume an approximate \$8.8 million shortfall for Fiscal Year 2014-2015 alone. A major contributor to this shortage is from the Collective Bargaining increases approved this past year. Because of this shortfall, the County is faced with seeking additional revenue sources just to keep afloat for the upcoming Fiscal Year.


Representative Tom Brower & Committee Members
RE: HB 1671, Relating to Transient Accommodations Tax
January 31, 2014
Page 2

Last year, an analysis on the Visitor Related Expenses was conducted by Kaua'i County Councilmembers, and concluded that for Fiscal Year 2011-2012, the County of Kaua'i expended approximately \$44 million on visitor related expenses. Visitor expenses included services for public safety (i.e. Fire and Police), parks (i.e. maintenance of County parks, the Wailua Golf Course, etc.), Public Works (i.e. road maintenance, solid waste, etc.), and others.

On any given day, visitors comprise approximately 21% of the population on Kaua'i. The visitor industry is one of our primary economic engines; and to maintain our loyal visitor base, we need to meet their high demand and expectations. Additional revenue received from the TAT would greatly assist the County in meeting the increasing demand and expectations of our visitors and citizens alike.

For the reasons stated above, I respectfully request the Committee to approve this measure. Again, thank you for this opportunity to submit testimony.

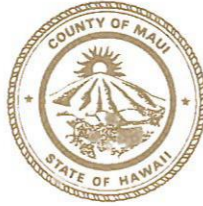
Sincerely,



JAY FURFARO
Council Chair, Kaua'i County Council

AB:aa

ALAN M. ARAKAWA
MAYOR



200 South High Street
Wailuku, Hawai'i 96793-2155
Telephone (808) 270-7855
Fax (808) 270-7870
e-mail: mayors.office@mauicounty.gov

OFFICE OF THE MAYOR

Ke'ena O Ka Meia
COUNTY OF MAUI – Kalana O Maui

TESTIMONY OF ALAN ARAKAWA, MAYOR ^{ca}
COUNTY OF MAUI

BEFORE THE HOUSE
COMMITTEE ON TOURISM

Monday, February 3, 2014, 9:30 a.m., Conference Rm. 312

HOUSE BILL 1671 RELATING TO TRANSIENT ACCOMMODATIONS TAX

The Honorable Tom Brower, Chair
The Honorable Romy M. Cachola, Vice Chair
And Members of the House Committee on Tourism

Thank you for this opportunity to testimony in **strong support** of **HB 1671**.

As Mayor of Maui County, I am honored to be united with the mayors of Hawaii, Honolulu, and Kauai counties, to strongly support this measure that will remove the current cap on transient accommodations tax (TAT) revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

The TAT was established in 1986 under Act 304, Session Laws of Hawaii and imposed a five percent (5%) tax on the gross revenues derived from the furnishing of transient accommodations.

In 1990, the Legislature recognized that "many of the burdens imposed by tourism fall on the counties" and noted that increased pressures of the visitor industry meant 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." (House Journal 1990; Conference Committee Report No. 207.)

The current cap on TAT revenues to the counties has left us struggling to cover the ever increasing costs of our police who serve and protect our visitors and residents, our lifeguards who are pulling distressed swimmers out of the ocean, our fire fighters who are rescuing hikers from mountain trails, as well as sewer, water and the many other services the counties must provide our constantly increasing visitors. If the cap is not removed these services will have to be reduced or our facilities and infrastructure will deteriorate.

Moreover, the cap was always understood to be a temporary measure to assist the state with a temporary budget shortfall. The Hawaii Tourism Authority recently announced that 2013 was another record year for visitors. According to CEO Mike McCartney, more

Representative Tom Brower
RE: HB 1671 Relating to TAT
February 3, 2014
Page 2 of 2

than 8.2 million visitors traveled to Hawaii last year, which is 2.6 percent more than the 8.1 million visitors in 2012, while their expenditures of \$14.5 billion contributed \$1.5 billion in state tax revenues – which is \$30 million more than the record set in 2012. With the state economy recovering and TAT collections increasing, there is no further justification for the cap.

The costs of providing county services to visitors are always increasing. Prior to the cap being imposed on the counties' portion on TAT revenues, as visitor arrivals increased there was an increase in county collections from the TAT to help offset some of the escalating costs from the influx of record numbers of new visitors. If the cap is not removed, the counties and our residents will continue to carry the heavier burden by increased property taxes to absorb the additional cost of the ever-growing numbers of visitors to the islands.

Though we are individual counties, to the rest of the world we are recognized as one venue - the State of Hawaii. Only together can we represent our State in the best light as we showcase our island State to the rest of the world. As a State we are vacation destinations for visitors from around the globe, and to reduce the quality of our services and facilities would certainly tarnish this image. We need to be wary of the fact that our State is a part of an international arena where there is a global-economy in tourism that gives travelers ample choices and produces stiff competition for tourists. If we ignore this and fail to make the infrastructure investments necessary for our state and counties to maintain their competitive edge over other destinations, tourists will go elsewhere.

For these reasons, I join the mayors and councils of our sister-counties in supporting HB 1671 and respectfully ask that the cap on the counties' share of the TAT be lifted.

brower1-Luke

From: mailinglist@capitol.hawaii.gov
Sent: Friday, January 31, 2014 3:40 PM
To: TOUtestimony
Cc: Don.Couch@mauicounty.us
Subject: *Submitted testimony for HB1671 on Feb 3, 2014 09:30AM*

HB1671

Submitted on: 1/31/2014

Testimony for TOU on Feb 3, 2014 09:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Don Couch	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

brower1-Luke

From: mailinglist@capitol.hawaii.gov
Sent: Friday, January 31, 2014 4:07 PM
To: TOUtestimony
Cc: lynnehi@aol.com
Subject: Submitted testimony for HB1671 on Feb 3, 2014 09:30AM

HB1671

Submitted on: 1/31/2014

Testimony for TOU on Feb 3, 2014 09:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
lynne matusow	Individual	Support	No

Comments: Please accept this as testimony in favor of HB1671. The counties have been shortchanged for too long, and should receive their fair portion of the TAT. The counties have to spend their monies on many tourist related events, including road paving, police, fire, etc. lynne matusow

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Vice-Chair
Robert Carroll

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Stacy Crivello
Don S. Guzman
G. Riki Hokama
Mike White



Director of Council Services
David M. Raatz, Jr., Esq.

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

January 31, 2014

The Honorable Tom Brower, Chair
House Committee on Tourism
Hawaii State Capitol, Conference room 312
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Brower:

SUBJECT: HB 1671 relating to Transient Accommodations Tax (Public Hearing:
Monday, February 03, 2014 at 9:30 AM in Conference Room 312)

As the Lanai member on the Maui County Council, I would like to offer testimony in support of HB 1671 relating to Transient Accommodations Tax (TAT). This bill would remove the current cap on TAT revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

I support this proposed bill. It provides for the distribution of a proportional share of county-earned TAT revenues and reflects the increase in TAT revenues, the improving State economy, and growing county needs to provide needed services (e.g. police, water safety, emergency medical, etc.) and projects (e.g. beach access and park improvements) that benefit or are necessitated by visitors to the county. I understand that Maui County Council Chair Gladys C. Baisa is submitting testimony in support of this bill and concur with her position.

Thank you for the opportunity to offer this testimony in support.

Sincerely,

A handwritten signature in black ink, appearing to read "Riki Hokama", with a large, sweeping flourish extending to the right.

RIKI HOKAMA
Council Member/Lanai seat

cc: Council Chair Gladys C. Baisa

Council Chair
Gladys C. Baisa

Vice-Chair
Robert Carroll

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

January 30, 2014

TO: Honorable Tom Brower, Chair
Committee on Tourism

FROM: Robert Carroll
Council Vice Chair *Robert Carroll*

DATE: Monday, February 3, 2014

SUBJECT: **SUPPORT HB 1671, RELATING TO TRANSIENT ACCOMMODATION TAX**

I support HB 1671 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to support this measure.



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii-tourismauthority.org

Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 1671
Relating to Transient Accommodations Tax
House Committee on Tourism
Monday, February 3, 2014
9:30 a.m.
Conference Room 312

The Hawaii Tourism Authority (HTA) offers these comments on H.B. 1671, which proposes to change the allocation of transient accommodations tax (TAT) revenues to the counties from \$93 million to 44.8 per cent of TAT revenues collected.

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 county TAT is an investment in maintaining and enhancing the Hawaii brand, which gives us the return on that investment from our visitors. Our visitors' expenditures, \$40 million per day, support 175 thousand jobs and amount to \$4.1 million per day in tax revenue. The county investment of TAT revenues is important to maintaining our visitor numbers and improving the quality overall Hawaii product, which gives us access to airline seats of twenty carriers from over fifty cities.

The HTA developed the *Hawai'i Tourism Strategic Plan*, with stakeholders in government, industry and the community throughout the state, which recognizes that the counties are important partners in achieving the vision of the plan. 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.

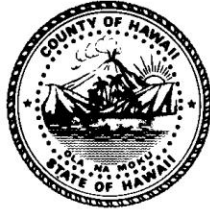
Additionally, the counties' police and fire departments are very important to the safety and security of Hawai'i's visitors.

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. How much is allocated is a legislative decision, which should be made with the knowledge of why the allocation is important to the counties and Hawai'i's economy.

HTA is very much aware of the difficult fiscal choices the States currently faces and realizes this is ultimately a policy decision for the Legislature to make.

Thank you for the opportunity to provide these comments.

William P. Kenoi
Mayor



Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

February 3, 2014

The Honorable Tom Brower, Chair
And Members of the House Committee on
Tourism
Hawaii State Capitol, Room 312
Honolulu, Hawaii 96813

RE: House Bill 1671, RELATING TO TRANSIENT ACCOMMODATIONS TAX

Aloha, Chair Bower and Committee Members:

Mahalo you for this opportunity to express our strong support of HB 1671, which removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

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 the costs of mass tourism are mostly 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. As the visitor count grows, the visitors' demands on county resources also grow.

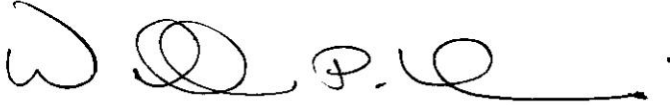
We now have more than one million tourists a year visiting the County of Hawai'i, and the cost of delivering service rises each year. It is critically important that TAT revenues to the counties increase as the visitor count increases. The counties need these resources to deliver the services that our residents and visitors require and expect.

The Honorable Tom Brower
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February 3, 2014

The cap in TAT revenues to the counties that was imposed in 2011 was always understood to be a temporary measure. We respectfully ask that your committee remove the cap on the counties' share of TAT revenues.

Mahalo for your consideration.

Aloha,

A handwritten signature in black ink, appearing to read "W. P. Kenoi". The signature is fluid and cursive, with a long horizontal stroke at the end.

William P. Kenoi, MAYOR



February 3, 2014

The Honorable Tom Brower, Chair
and Members of the House Committee
on Tourism
Hawai'i State Capitol
415 South Beretania Street, Room 312
Honolulu, Hawai'i 96813

RE: House Bill 1671, RELATING TO TRANSIENT ACCOMODATIONS TAX

Aloha, Chair Brower and Committee Members:

The Hawai'i Council of Mayors, which includes the mayors of Hawai'i, Honolulu, Kaua'i and Maui counties, strongly supports any effort to remove the temporary cap on the counties' share of transient accommodation tax revenue (TAT) put in place in 2011.

The cap was always understood to be a temporary measure to assist the state with a temporary budget shortfall, with a sunset in 2015. Now that the state economy is recovering and state transient accommodations tax collections are climbing to record levels, there is no further justification for the cap. We respectfully ask that the committee remove the cap on the counties' share of TAT revenues.

From the very beginning of the transient accommodations tax, the counties were always intended to receive a proportionate share of TAT revenue because the counties provide the bulk of services used by visitors. The costs of providing county services to visitors are always increasing. Normally, as visitor arrivals increase there is an increase in county collections from the TAT to help offset some of the escalating costs from the influx of record numbers of new visitors. Arbitrarily reducing the counties' share of the tax increases the burden of mass tourism on the counties and our residents.



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



Mayor Kirk Caldwell
City and County of Honolulu
530 South King Street
Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.
County of Kauai
4444 Rice Street
Lihue, Hawaii 96766



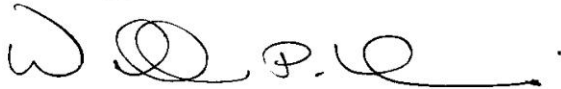
Mayor Alan Arakawa
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

The Honorable Tom Brower
Page 2
February 3, 2014

For those reasons, we respectfully ask that the committee remove the cap on the counties' share of the TAT and maintain the counties' proportionate share of the proceeds.

Thank you for your consideration.

Sincerely,



William Kenoi, Mayor
County of Hawai'i



Kirk Caldwell, Mayor
City and County of Honolulu



Bernard Carvalho, Jr., Mayor
County of Kaua'i



Alan Arakawa, Mayor
County of Maui



HOUSE OF REPRESENTATIVES
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

COMMITTEE ON TOURISM
Representative Tom Brower, Chair

2/3/2014
Rm. 312, 9:30 AM

HB 1671
Relating to Transient Accommodations Tax

Chair Brower and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii, in support of HB 1671.

When the Hawaii Tourism Authority (HTA) was first formed, the Transient Accommodations Tax (TAT) was increased as well, so that funds could be divided between three entities. There was the HTA with the funds going for tourism promotion, the four counties for the impact that tourism had on the infrastructure and the State.

Also part of the original plan was that the division of the TAT would also be based on a percentage, so that as the TAT funds grew, so did the funds to the three entities. However, with the current cap on funds, the amount that the counties should be getting, is considerably below what they should be receiving, based on the original formula.

Mahalo for allowing use to testify and we urge your support of this bill.