

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**ESTHER KIA'AINA**  
FIRST DEPUTY

**WILLIAM M. TAM**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**Testimony of  
WILLIAM J. AILA, JR.  
Chairperson**

**Before the House Committee on  
FINANCE**

**Tuesday, February 25, 2014  
11:15 AM  
State Capitol, Conference Room 308**

**In consideration of  
HOUSE BILL 2434, HOUSE DRAFT 1  
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

**The Department of Land and Natural Resources (Department) supports House Bill 2434, House Draft 1, which proposes to allocate \$3,000,000 of the Transient Accommodations Tax (TAT) revenues to the Department's Special Land and Development Fund rather than the General Fund.**

Last Session the Legislature passed Senate Bill 1194, Conference Draft 1, which was signed into law by the Governor as Act 161, Session Laws of Hawaii 2013. Prior to this bill being enacted into law, \$1,000,000 from TAT revenues budgeted for the Hawaii Tourism Authority (HTA) was deposited into the Department's State Parks Special Fund and the Special Land and Development Fund for the state-wide trail and access program. Act 161 in part leaves that \$1,000,000 in the HTA budget and instead allocates \$3,000,000 subject to the mutual agreement of the Board of Land and Natural Resources (BLNR) and the Board of Directors of the HTA in accordance with the HTA Strategic Plan for the same purposes outlined in this measure.

Act 161 specifies an amount "of the excess revenue deposited into the general fund", but does not provide authority to expend the funds. This measure, House Bill 2434, addresses that issue by depositing the funds into the Special Land and Development Fund, to then be disbursed for appropriate Department purposes as approved by the BLNR and the Board of Directors of HTA per the process outlined in Act 161.

The Department is in full support of House Bill 2434, House Draft 1.



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**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. No. 2434, H.D.1**  
**Relating to the Transient Accommodations Tax**  
House Committee on Finance  
Tuesday, February 25, 2014  
11:15 a.m.  
Conference Room 308

The Hawaii Tourism Authority (HTA) supports H.B. No. 2434, H.D.1, which corrects an administrative problem caused by the wording of Act 161, SLH 2013, adds an allocation to the Conservation and Resources Enforcement Special Fund, and changes the effective date to allow previously allocated funds to become available in the current fiscal year.

Act 161, SLH 2013, provided that \$3 million of the excess TAT revenues deposited into the general fund be allocated for programs to support the protection, preservation, and enhancement of natural resources important to the visitor industry, including planning, construction, and repair of facilities, and operation and maintenance costs for public lands connected with enhancing the visitor experience.

Because the Act requires the money to be “deposited into the general fund,” however, it creates a problem because it then requires that those funds be further appropriated.

H.B. 2434, H.D.1, corrects the error by providing that the \$3 million be allocated to the Special Land and Development Fund, and authorizes that the monies in the Fund can be used for the “planning, development, management, operations or maintenance of all lands and improvements under the control and management” of the Board of Land and Natural Resources under Title 12, HRS, provided that TAT funds allocated to the Fund are expended according to a mutual agreement of the BLNR and the HTA board.

H.B. 2434, H.D.1 makes conforming amendments to sections 171-156, the Beach Restoration Special Fund; 184-3.4, the State Parks Special Fund; and 199-1.5, the Conservation and Resources Enforcement Special Fund.

Thank you for the opportunity to offer these comments.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Disposition for special land and development fund

**BILL NUMBER:** HB 2434, HD-1

**INTRODUCED BY:** House Committee on Tourism

**BRIEF SUMMARY:** Amends HRS section 237D-6.5(b)(4) to specify that \$3 million of transient accommodations tax (TAT) revenues shall be allocated to the special land and development fund, subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan.

Makes conforming amendments to HRS sections 171-16, 171-156, 184-3.4 and 198D-2.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** The legislature by Act 161, SLH 2013, made permanent the TAT rate of 9.5% and changed the allocations of TAT from a percentage basis to a specific dollar amount. Currently, TAT revenues are allocated as follows: (1) \$33 million is deposited into the convention center enterprise special fund; (2) \$82 million is deposited into the tourism special fund; (3) \$93 million is transferred to the various counties; and (4) any remaining revenues deposited into the general fund. This measure would delete the phrase “of the excess revenues deposited into the general fund pursuant to this subsection” and provide that \$3 million of TAT revenues shall be allocated to the special land and development fund. Thus it would appear that any excess revenues after all allocations of TAT revenues are made will still be deposited into the general fund since HRS section 237D-6.5(b) states that TAT revenues shall be distributed as follows with excess revenues to be deposited into the general fund.

The proposed measure would add another siphon of TAT revenues and would perpetuate the earmarking of TAT revenues. While proponents of earmarking of the TAT argue that if these projects or programs are not funded, none of the pristine beauty that visitors come to see will be preserved, one could make the argument on the other side. If there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state’s economy. Lawmakers seem to have lost sight of the fact that visitors also contribute to state coffers directly through the 4% on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay for other “visitor related” programs, then paying for those programs out of general funds would be more appropriate than stealing the money from what is identified as a tax paid specifically by the visitor.

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for these programs that not only benefit the visitors but the

community at large, is an abdication on the part of the legislature to set priorities among general fund resources and is an indication that the legislature truly does not believe this is an important enough issue to set aside state appropriations to address the issue.

Finally, it should be remembered that revenues earmarked into a special fund, in this case the special land and development fund, will not be counted against the state's debt limit and will not reflect the state's true financial condition.

Digested 2/23/14



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Tuesday, February 25, 2014 at 11:15 A.M.  
Conference Room 308, State Capitol**

**RE: HOUSE BILL 2434, HD1 RELATING TO THE TRANSIENT  
ACCOMODATION TAX**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2434, HD1 Relating to the Transient Accommodations Tax.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports this bill as it will provide necessary funding for HTA to support Hawaii's number one industry. HB 2434, HD1 will make it easier for the Department of Natural Land Resources and the Hawaii Tourism Authority to access the \$3M funds for the protection, improvement, and construction of natural resources and facilities around the state.

Thank you for the opportunity to testify.



HOUSE OF REPRESENTATIVES  
THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2014

COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair

2/25/2014  
Rm. 308, 11:15 AM

HB 2434, HD 1  
Relating to Transient Accommodations tax

Chair Luke and Members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels Hawaii, in support of HB 2434.

This bill will make it easier for the Department of Natural Land Resources and the Hawaii Tourism Authority to access and allocate the funds for the protection, improvement, and construction of natural resources and facilities around the state.

We urge your support!

Mahalo for allowing me to testify.



HAWAI'I LODGING & TOURISM  
ASSOCIATION

**LATE**

Testimony of George Szigeti  
President & CEO  
HAWAI'I LODGING & TOURISM ASSOCIATION  
Committee on Finance  
Hearing on February 25, 2014, 11:15 a.m.  
House Bill 2434 HD1 Relating to the Transient Accommodations Tax

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 48,000 rooms, and approximately 470 other Allied members. The lodging industry alone employs over 38,000 workers across the state of Hawai'i and generated over \$5.7 billion in annual sales in 2012. As part of the broader visitor industry – which employs 1/6 of all workers and 1/5 of those in the private sector, and generated \$14.4 billion in visitor spending in 2012 – we represent one of Hawai'i's largest industries and a critical sector of the economy.

HLTA **supports** HB2434 HD 1 because it streamlines the process by which the Hawaii Tourism Authority and Board of Land and Natural Resources distributes funds designated under Act 161 for the preservation and management of natural resources important to the visitor industry.

We urge your favorable consideration of this bill.

Thank you for this opportunity to testify.