

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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**SUBJECT:** TRANSIENT ACCOMMODATIONS, Disposition for division of conservation and resource enforcement

**BILL NUMBER:** SB 3024, HD-1

**INTRODUCED BY:** House Committee on Tourism

**BRIEF SUMMARY:** Amends HRS section 237D-6.5(b)(4) to provide that of the \$3 million allocated by 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, \$\_\_\_ shall be allocated to the division of conservation and resource enforcement.

**EFFECTIVE DATE:** July 1, 2050

**STAFF COMMENTS:** 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 of which \$3 million allocated by 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. This measure provides that of the \$3 million allocated to the board of land and natural resources, \$\_\_\_ shall be allocated to the division of conservation and resource enforcement.

The proposed measure would add another siphon of TAT revenues, and would perpetuate the earmarking of TAT revenues. 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. But what of the other government services that visitors use that are not so earmarked?

Visitors also contribute to state coffers directly through the taxes on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of 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.

Instead of earmarking TAT revenues, a direct appropriation of general funds would be preferable. Earmarking 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.

Digested 3/16/14



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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  
**S.B. No. 3024, S.D.2**  
**Relating to the Transient Accommodations Tax**  
House Committee on Water & Land  
Monday, March 17, 2014  
9:30 a.m.  
Conference Room 325

The Hawaii Tourism Authority (HTA) supports S.B. No. 3024, S.D.2, which provides for the allocation of transient accommodations tax revenues to the Special Land and Development Fund to be expended for programs of the Department of Land and Natural Resources (DLNR) according to a mutual agreement of the Board of Land and Natural Resources and the Board of the Hawaii Tourism Authority.

S.B. 3024, S.D.2, corrects an administrative error in Act 161, SLH 2013, which provided that \$3 million of the excess TAT revenues deposited into the general fund be allocated for DLNR programs connected with enhancing the visitor experience, by allocating the funds instead to the Special Land and Development Fund.

In addition to correcting that error, S.B. 3024, S.D. 2, changes the amount to be allocated to the Special Land and Development Fund from \$3 million to an unspecified amount, and authorizes the use of the monies in the Fund 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 pursuant to Title 12, HRS. It further provides that an amount to be specified be allocated to the conservation resources and enforcement special fund.

The amendments proposed by S.B. 3024, S.D.2, will allow the expenditure of funds without further appropriation, and proposes to make an additional allocation for the enforcement programs of DLNR.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



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

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

**Before the House Committee on  
WATER & LAND**

**Monday, March 17, 2014  
9:30 AM  
State Capitol, Conference Room 325**

**In consideration of  
SENATE BILL 3024, SENATE DRAFT 2, HOUSE DRAFT 1  
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Senate Bill 3024, Senate Draft 2, House Draft 1 proposes to allocate \$3,000,000 from Transient Accommodation Tax revenues for certain purposes subject to the mutual agreement of the Board of Land and Natural Resources and the Board of Directors of the Hawaii Tourism Authority (HTA) in accordance with the HTA strategic plan, and allocate a portion of the funds to the Conservation and Resources Enforcement Special Fund. **The Department of Land and Natural Resources (Department) strongly supports this measure but requests that this measure be amended to take effect upon approval in order to allow the Department to make use of the current Fiscal Year's funds.**

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 Transient Accommodation Tax (TAT) revenues budgeted for the 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 left that \$1,000,000 in the HTA budget and instead allocated \$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 specified an amount "of the excess revenue deposited into the general fund", but did not provide authority to expend the funds. Thus, to date, the Department has received none of the funding intended for it by the Act in the current Fiscal Year.

This draft of the measure, Senate Bill 3024, Senate Draft 2, House Draft 1, solves the issue of authority to expend the funds. With that issue resolved, the Department requests that the measure take effect upon approval, in order that it might access funding intended for use in the current Fiscal Year.

**WILLIAM J. AILA, JR.**  
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

The Department's Division of Conservation and Resources Enforcement (DOCARE) would welcome these additional funds that will be used to further DOCARE's mission of protecting Hawaii's natural, historical, cultural and recreational resources. Over the past few years, DOCARE's general fund operating budget has been strained, making it difficult to provide for increasing operating costs and equipment purchases. This funding would be used to provide for a more viable and responsive conservation and resources enforcement program in the State of Hawaii.

The Department urges your strong support of this measure with the requested amendment. We note that should the increase in funding be approved, the ceilings of the Conservation and Resources Enforcement Special Fund, and other Department special funds, will need to be adjusted accordingly.