

Legislative Update '09

A newsletter from State Representative Joey Manahan

29th District - Kalihi Kai, Kapalama, Mokauea, Sand Island



Dear Friends,

I would like to take this opportunity to thank you for allowing me to serve you as the State Representative for the 29th House District of the State of Hawaii. As Chair of the House Committee on Tourism, Culture and International Affairs and a member of the House Committees on Agriculture and, Economic Revitalization, Business and Military Affairs, our committees worked with many organizations and individuals to address the pressing needs of our State.

Even though money for projects and programs was extremely limited, I'm proud that we were able to maintain core services and lay the foundation for future projects when we are better able to afford their implementation.

Thank you for providing feedback in the form of testimony, letters, emails, phone calls, and our conversations. Only by working together can we build a stronger community and improve the quality of life in our State. It is a privilege to be your voice in the Hawaii State Legislature, and I uphold my promise to serve you with humility, strength, and honor.

Sincerely,

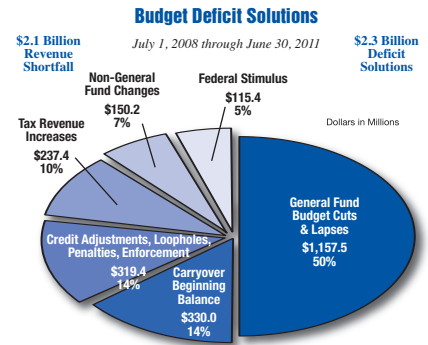
Joey Manahan
District 29: Kalihi Kai, Kapalama,
Mokauea, Sand Island

2009 Legislative Highlights Regular and Override Session

At the start of the year, the legislature was immediately faced with a potential budget shortfall of \$2.1 billion by the end of the biennium, FY2010 and 2011. As the legislature is required by law to balance the budget, finding ways to close the gap became the highest priority. Even though money for projects and programs was extremely limited, I'm proud that we were able to maintain core services and lay the foundation for future projects when we are better able to afford their implementation. Since the end of the session, the budget shortfall continues to grow, and the legislature will reconvene in January to address further cuts and revenue enhancements. The legislature went into session for one day, on July 15th, to override 34 of the Governor's 53 vetoes.

Budget Solutions

State Budget. The budget for FY '10 and '11 was balanced by a combination of solutions. About 50% of the solution came through over \$800 million in budget cuts; 35% of the solution came from various government sources including non-general funds, penalties, enforcement and carryover balances; 10% came from tax increases; and 5% of the solution came from a one-time infusion of federal stimulus funds. The legislature made tough decisions on budget cuts, but we also saw it as an opportunity to refocus and streamline government where possible.



The legislature balanced the budget at the end of the regular session without having to raise the general excise tax, considered the most regressive of taxes, and tried to minimize the impact on the poor and the middle class.

The state budget totals \$5.1 billion in general funds and \$10.8 billion for all means of financing in FY '10, and \$5.2 billion in general funds and \$10.4 billion for all means of financing in FY '11.

Capital improvement projects (CIP) will help to stimulate the local economy and provide jobs. The budget includes over \$864 million in capital improvement projects using general obligation and general obligation reimbursable bonds, \$2.6 billion using other means of financing, and \$3.5 billion using all means of financing, over the biennium. **(HB200)**

Tax Revenue Generation. A tax increase of any kind is difficult to propose. Any tax increase, no matter how modest, is going to impact a segment of the population. However, we tried to target the increases on a very small percentage of Hawaii taxpayers, including high income earners, those who earn more than \$150,000 filing singly, \$300,000 filing jointly, and \$225,000 filing as head of household **(HB1747)**; raising the hotel room tax from 7.25% to 9.25% **(SB1111)**; those who are selling property over \$2 million, and second homes and investment properties of any price **(HB1741)**; and cigarette and tobacco sellers. **(HB1175 and HB895).**

Tourism

Raising the TAT. As the Chairman, House Committee on Tourism, Culture & International Affairs, one of the most difficult decisions I had to make was raising the transient accommodations tax, also known as the TAT or hotel room tax.

No one wants to raise taxes. We all understand that the travel industry is Hawaii's "golden goose," and that we must not kill it by raising the transient accommodations tax (TAT) too high. However, the state faces a \$2 billion deficit over the next biennium, and we need to raise the TAT at this time to ensure that the State has the resources to preserve Hawaii as one of the world's most popular travel destinations.

We promote Hawaii as world-class to a wide range of travelers, but if we want to keep that status, we need the money to pay for the upkeep and infrastructure of the state. Visitors do have an impact on our resources, and like every other travel location, we depend on the hotel room tax to help pay for that impact.

In keeping the TAT relatively low, we sell ourselves short. Compared to other cities around the country, our hotel room tax is below average. In 2008, according to the American Hotel & Lodging Association, the average hotel room tax is 12.69%, and Hawaii is now at 7.25%. While we don't want to price ourselves out of the market, we should certainly be at the right level for a premier resort and vacation destination.

The legislature proposed to raise the tax by 1%, from 7.25% to 8.25% in 2010, and another 1%, to 9.25% in 2011. On a \$200/night room, that would mean an added \$2.00 a day. If a family stayed for a week, the increased TAT would amount to only \$14. We don't expect this increase to drive tourists away. We can expect it to produce much needed revenues of \$28 million in 2010 and \$60 million in 2011. A percentage will also go back to the industry for increased marketing as provided in HB 754, a bill which I introduced.

Raising the TAT is part of a larger picture to address a severe deficit in the state's budget. If, however, the alternative is to raise the General Excise Tax, or to lay off public workers, even I, as the Chair of the Tourism Committee, believe the right choice is to raise the TAT.

If we were to raise the GET, the impact on tourists would be even greater than raising the TAT tax. Tourists would be spending more on purchasing airfare, on ground transportation, on meals, on attractions, on shopping, on virtually every dollar that they spend in Hawaii. That, to

me, is much worse than raising the hotel room tax by a modest 1-2%. In addition, hotel workers, who are already paid so low that many are forced to work two or three jobs, would face increases in all of their expenditures too.

We understand that the tourism industry is going to fight to keep the TAT at the current level – that is their job. Lawmakers, however, must also look at a broader constituency and do what is best for everyone.

Keeping the Pro Bowl in Hawaii

Keeping the Pro Bowl in Hawaii is key for our economy. The Hawaii Tourism Authority (HTA) has spent two years negotiating with the National Football League (NFL) to secure the Pro Bowl game at the Aloha Stadium. On March 6, 2009, Hawaii Tourism Authority voted to accept the National Football League's offer to bring the Pro Bowl back to Hawaii in 2011 and 2012. The 2010 Pro Bowl game is already scheduled to play a week before the Super Bowl in Miami.

With such high stakes, the Hawaii Tourism Authority had to do what is necessary to secure the All-Star game in the islands once again. If not, big cities like Dallas, which are hungrily eyeing the Pro Bowl for themselves, will get off the bench and make the right plays for a spot on the first-string team.

It was a smart move on the HTA's part to hold out for a guaranteed consecutive 2-year return of the game, but now, board members need to be less concerned with the exact dates of when the Pro Bowl will be played and more focused on the revenue generated in each of the previous years that Hawaii has hosted the game. This past Pro Bowl game generated \$28.6 million in spending and \$2.9 million in hotel and car-rental taxes. Last year's game brought in \$28.07 million in spending and \$2.5 million in taxes. The NFL's offer would have cost the state \$4 million a game, including two 30-second advertising spots on national television to promote travel to Hawaii.

During these tough and turbulent economic times, it would be a great loss to the residents of Hawaii if, by rejecting this offer, the HTA has put the State at risk of losing any chance of the money-making football game from ever returning to the islands.

Some board members were reluctant to commit these state funds because of the dire outlook of the transient accommodation tax revenue projections, and others



Mayor Mufi Hanneman testifying before Chair Joey Manahan and members of the Tourism, Culture & International Affairs on the Pro Bowl.

voted against the proposal suggesting, instead, that the state look at investing in other sports initiatives like soccer and the Honolulu Marathon.

These reasons do not outweigh the importance and impact of the Pro Bowl on our state's economy and morale. For the amount spent attracting the Pro Bowl, Hawaii receives much more in return, including significant tax revenues, increase in visitor arrivals, national and international media exposure, and donations by the NFL to local charities. Let's not forget the excitement it generates among residents and tourists alike with week-long activities and festivities in Honolulu. In addition, few events can compare to an all-star football game that rallies thousands of fans each year cheering in the stands. More fans were in the stands this year than last year; 49,958 fans compared to 49,621 last year.

I believe the HTA will ultimately be successful in securing the Pro Bowl for Hawaii, but I am concerned about the bigger picture. As Chair of the House Committee responsible for the oversight of our state's number one industry, the HTA, the industry and the legislature need to work closer together on broader issues, specifically strategic planning, workforce development and creating a long term vision.

As a state funded agency, I would like to see the HTA communicate more effectively with the legislature and to the public on their activities to keep the tourism industry healthy, and on how we are keeping Hawaii "fresh" for returning visitors. Many of our residents are wondering the same thing that their lawmakers are: Where is Hawaii's tourism going from here, where is the money being spent, and what is the holistic plan to keep the tourism industry and its workforce flourishing?

An article in the *Pacific Business News* touched on the fact that the HTA board

conducts much of its business in secret, making decisions on how to spend millions of taxpayer dollars in closed meetings, out of the public view. The HTA board points to “competition” and “negotiation” factors as reason to hold private discussions. This may be true, but there also must be more transparency on how the HTA board conducts public business.

In times of challenge, true leaders see opportunity. With a new Chief Executive Officer coming aboard, I am optimistic that the legislature, the administration, the HTA, and Hawaii’s world renowned tourism industry can all work together to take advantage of the opportunities such as the Pro Bowl and more to ensure that our greatest years are ahead of us.

Move Ahead on Local Farm-Tourism Push and Sustainable Tourism with HB1471

Tourists dining at Hawaii restaurants desire island-grown food as part of their experience in the tropics but find it scarce on most menus. Restaurants require their food to be certified for safety and most Hawaii farmers are ill-prepared to obtain that certification. In the absence of state funding, the travel and agriculture industries should work to increase the availability of local foods at hotels and restaurants.

The Legislature overrode Gov. Linda Lingle’s veto of, **HB 1471**, which Representative Manahan introduced, authorizing diversion of \$140,000 from the Hawaii Tourism Authority to the University of Hawaii pilot programs to help farmers make changes so they can pass a state audit for certification. Lingle still is unlikely to release the funds, citing a state law against transferring funds for unrelated purposes.

More than two-thirds of the agriculture products serving the hotel industry is imported, according to Kyo-Ya Management Co., parent of the Starwood hotels, including the Sheraton Waikiki Hotel. Aside from pineapples and papayas, 82 percent of the food served to guests comes from out-of-state, said Victor Kimura, Kyo-Ya’s director of operations.

Kimura told the Star-Bulletin’s Nina Wu that the legislation, if implemented, would be “the first initiative ever where hotels are stepping in to help another leading industry, which is agriculture. This is a partnership for two industries.”

Of Hawaii’s more than 2,000 farms, most are less than 10 acres and only 41 are certified for food safety by the state Department of Agriculture, up from only two in 2004. A state-funded Hawaii Farm Bureau program credited with the increase expired at the end of March.

Many farmers fear that the certification process is “cumbersome and costly,” but “coaching will make the farmers realize this is not so,” Mark Teruya, president and CEO of Armstrong Produce, told legislators.

Federal grants are available for farmers to acquire sinks, toilets, tables and other supplies needed to pass an audit. The state funding authorized in the legislation was intended to pay for the “coaching,” aimed at adding audits of 100 more farms by September 2010. Armstrong began its own food safety certification process five years ago after “many of our customers were asking for certification,” Teruya said. “They told us that this was important and something that was not going to go away.”

In the absence of state funding — if that is the case — the travel and farming industries should have enough reason to put together the pilot program that was to be created by the legislation. If even one incident of sickness from eating food at

restaurants in Hawaii were to occur, the consequences would be damaging.

“With tourism suffering as it is now,” Teruya said, “we do not want to give tourists any reason to stay away from Hawaii.

Furthermore, Manahan says, that “It is sad that Governor Lingle does not see the economic value in this legislation provides if implemented. It would finally allow local farmers to grow food for our hotel industry especially during these difficult times, not to mention create sustainable tourism.”

Educational Facilities

Repair and Maintenance. The CIP budget includes \$304.7 million for various public school projects, \$170.5 million of which is dedicated to reducing the repair and maintenance backlog. Within the University of Hawaii system, the legislature appropriated \$203.7 million for university projects, \$143.1 million of which will be used to address repair and maintenance. **(HB200)**

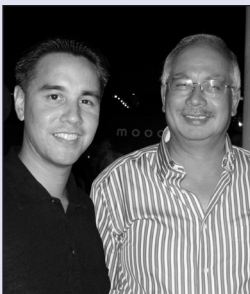
Health

Keiki Care. The Keiki Care pilot program provides basic health insurance for children who are uninsured and do not qualify for other programs. The administration terminated Keiki Care last year, but the legislature saw the need within the community and extended it to 2012. The primary health care services will be provided by federally qualified health centers through an appropriation of \$200,000 per year. This bill was vetoed by the Governor; the Legislature voted to override the veto. **(HB989)**

Community Hospitals. Our statewide community hospital system is managed by

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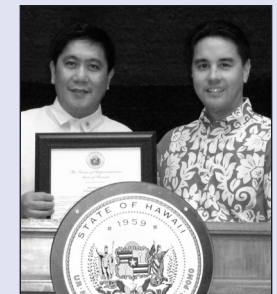
TOURISM, CULTURE AND INTERNATIONAL AFFAIRS



Representative Manahan with the Prime Minister of Malaysia, Najib Tun Razak on his most recent visit to Hawaii.



Representative Manahan and Senator Donna Mercado Kim with the Governor of Ilocos Norte, Michael Keon and his delegation, President of Hawaii Tourism Authority, Mike McCartney, and Joe Davis, Executive Director of Hawaii Convention Center at the Hawaii Convention Center.



Representative Manahan presenting Alfredo Valdez Jr. Mayor of San Nicolas with a certificate in the House Chambers.

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the Hawaii Health Systems Corporation (HHSC), the fourth largest public hospital system in the nation. HHSC faces serious financial shortfalls and management issues, yet they remain essential in providing a safety net for hospital and long-term care services for Hawaii residents. The legislature passed a bill that redesigns the corporate structure, giving the HHSC regions greater flexibility to manage services and handle labor relations. This is expected to improve efficiency and result in cost savings. The bill also authorizes the transition of the system to a new entity outside HHSC under certain conditions. **(SB1673)**

**Representative
JOEY MANAHAN**
State Capitol
415 S. Beretania St., Rm. 421
Honolulu, HI 96813

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Representative Manahan and Senator Donna Mercado Kim at the Kuhio Park Terrace clean up.

Affordable Housing and Audit of KPT

The state budget bill addresses the need for more affordable housing by providing \$30 million for the Rental Housing Trust Fund and \$20 million for the Dwelling Unit Revolving Fund to assist in the development of low-income rental units and housing projects. The legislature also approved \$12.4 million for the Hawaii Public Housing Authority to tackle the repair and maintenance backlog. **(HB200)**

KPT Clean Up. Senator Donna Mercado Kim and I introduced a resolution to audit the maintenance contracts of the Hawaii public Housing Authority, who recently came under fire because of a lawsuit filed by tenants who have been living in squalid conditions for years with little to no response from HPHA or the resident managers to fix the elevators, trash chutes, and fire alarms despite the legislature appropriating the funds during my first session in 2007.

Among other things, the audit is meant to once and for all find where the monies for these critical repairs and maintenance, which are posing serious health and safety risks are being spent.

In a grassroots effort to help the resi-

dents, Senator Donna Mercado Kim and I, along with 350 volunteers painted, swept, and planted as part of a massive cleanup effort at Kuhio Park Terrace to help encourage residents to take a vested interest in the care and maintenance of their shared home.

The cleanup was a joint effort between the Institute for Human Services, Kanu

Hawai'i and the Hawai'i Public Housing Authority, and approximately half the volunteers were residents of KPT.

"There is certainly a sense of community here at KPT, and there is pride among the residents. We've seen today that we can accomplish anything if we all work together," said Representative Manahan.

CONNECTING WITH THE COMMUNITY



Pier 100 at Keehi Lagoon Small Board Harbor is to be demolished and construction of a new engineered aluminum framed dock systems will be constructed in its place. The State Legislature appropriated \$4 million in design and construction funds for improvements.



Darren Ng briefing Representative Joey Manahan on his volunteer clean up of Lo'i Kalo Park.



Kalihikai Elementary Read Across America 2009



Kalihikai Waena Elementary Read Across America 2009



Citizens' Patrol Group for District 29