

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 Senate Committee on  
WAYS AND MEANS**

**Friday, March 28, 2014  
9:15 AM  
State Capitol, Conference Room 211**

**In consideration of  
HOUSE BILL 2434, HOUSE DRAFT 2, SENATE DRAFT 1  
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

House Bill 2434, House Draft 2, Senate Draft 1 proposes to specify the distribution and allowable uses, subject to agreement between the Hawaii Tourism Authority (HTA) and the Board of Land and Natural Resources (BLNR), of Transient Accommodations Tax (TAT) funds allocated to the Special Land and Development Fund. **The Department of Land and Natural Resources (Department) strongly supports this measure.**

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 HTA was deposited into the Department's State Parks Special Fund, and the Special Land and Development Fund for the Hawaii Statewide 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 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.

House Bill 2434, House Draft 2 corrected the issue of the authority to expend funds. Senate Draft 1 allows the Department to access funding upon approval of the measure, so that some of the expenditures that were intended to be addressed during Fiscal Year 2014 may be addressed.

The Department strongly supports House Bill 2434, House Draft 2, Senate Draft 1.

**WILLIAM J. AILA, JR.**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**JESSE K. SOUKI**  
FIRST DEPUTY

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

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CONSERVATION AND COASTAL LANDS  
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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.2, S.D.1**  
**Relating to the Transient Accommodations Tax**  
Senate Committee on Ways and Means  
Friday, March 28, 2014  
9:15 a.m.  
Conference Room 211

The Hawaii Tourism Authority (HTA) supports H.B. No. 2434, H.D.2, S.D.1, which corrects an administrative problem caused by the wording of Act 161, SLH 2013, authorizes the transient accommodations tax revenues allocated to be used for the land and programs under the control of the Department of Land and Natural Resources pursuant to Title 12, HRS. It makes conforming amendments to various funds, including the Conservation and Resources Enforcement Special Fund.

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, as originally introduced, corrected 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.2, S.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.



Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the Senate Committee on Ways and Means  
Friday, March 28, 2014 at 9:15 A.M.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL 2434 HD2 SD1 RELATING TO THE TRANSIENT  
ACCOMODATIONS TAX**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2434 HD2 SD1, which specifies the distribution and allowable uses, subject to agreement between the Hawaii Tourism Authority and the Board of Land and Natural Resources, of Transient Accommodations Tax funds allocated to the Special Land and Development Fund for resource and facilities management costs related to Hawaii Tourism Authority's Strategic Plan.

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 HD2 SD1 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.



**HAWAI'I LODGING & TOURISM**  
**A S S O C I A T I O N**

Testimony of George Szigeti  
President & CEO  
HAWAI'I LODGING & TOURISM ASSOCIATION  
Committee on Ways and Means  
Hearing on March 28, 2014, 9:15 a.m.  
House Bill 2434 HD2 SD1 Relating to the Transient Accommodations Tax

Dear Chair Ige, Vice Chair Kidani, 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. 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 \$14.5 billion in visitor spending in 2013 – we represent one of Hawai'i's largest industries and a critical sector of the economy.

HLTA **supports** HB2434 HD2 SD1 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.

# 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, SD-1

**INTRODUCED BY:** Senate Committees on Tourism and Water and Land

**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.

**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 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 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 for an appropriation. In addition, revenues earmarked into a special fund will not be counted against the state’s debt limit and will not reflect the state’s true financial condition.

Digested 3/25/14