



**TO:** Rep. Tom Brower, Chair  
Rep. Romy M. Cachola, Vice Chair  
Committee on Tourism

**FROM:** Kiersten Faulkner, Executive Director  
Historic Hawaii Foundation

**Committee:** Monday, February 3, 2014  
9:30 a.m.  
Conference Room 312

**RE: HB 2434, Relating to Transient Accommodations Tax**

On behalf of Historic Hawaii Foundation (HHF), I am writing in **support of HB2434, and also offer amendments**. The bill proposes to allocate the portion of the transient accommodations tax reserved for the protection, preservation and enhancement of natural resources that are important to the visitor industry to a special land and development fund rather than to the general fund.

Since 1974, Historic Hawai'i Foundation has been a statewide leader for historic preservation. HHF's 850 members and numerous additional supporters work to preserve Hawai'i's unique architectural and cultural heritage and believe that historic preservation is an important element in the present and future quality of life, economic viability and environmental sustainability of the state.

The natural, historic, and cultural resources of Hawai'i are a great legacy and irreplaceable treasures. HHF strongly supports measures that lead to investments in preserving and enhancing these resources, especially historic places and that help keep Hawai'i's stories alive for present and future generations.

Many visitor destinations, both large and small, are significant for both natural and cultural/historic characteristics. Significant sites with a dual intrinsic value include such places as Papahānaumokuākea, Diamond Head, Haleakalā, Kōke'e, Hawai'i Volcanoes, Keāiwa Heiau, Ulupō Heiau, Haleki'i-Pihana Heiau and Nu'uano Pali. Other heritage attractions are primarily significant for the history, culture, archeology or architectural significance: Mauna Ala, Iolani Palace, Russian Fort Elizabeth, Kukaniloko Birthstones, Kohala Historical Sites, and many others.

**HHF concurs with the proposal to use the special land fund for this purpose, and also recommends that the TAT allocation and the disbursement be allowed not only for the protection and enhancement of natural resources, but should also be explicitly allowed for the protection, preservation and enhancement of cultural and historic resources as well [Section 5 (4)(A)].** Thank you for the opportunity to comment.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

- SUBJECT:** TRANSIENT ACCOMMODATIONS, Disposition for special land and development fund
- BILL NUMBER:** SB 2430; HB 2434 (Identical)
- INTRODUCED BY:** SB by Kahele, Chun Oakland, Galuteria, Keith-Agaran, Shimabukuro, Solomon and 2 Democrats; HB by Brower, Aquino, Awana, Cachola, Carroll, Evans, Hanohano, Hashem, Ichiyama, Kobayashi, McKelvey, Mizuno, Morikawa, Nakashima, Ohno, Takayama, Takumi and Yamashita
- 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:** July 1, 2014

**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. While 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, 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 for activities other than tourism. 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 1/24/14

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**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

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

**Before the House Committee on  
TOURISM**

**Monday, February 3, 2014  
9:30 AM  
State Capitol, Conference Room 312**

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

**The Department of Land and Natural Resources (Department) supports House Bill 2434 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, but respectfully requests that this measure be amended.**

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, Senate Bill 2430, 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 the measure, but requests two amendments.

Amendment 1

In order to ensure the investment of the funds allocated in Act 161 for the current fiscal year, the Department requests that the measure become effective upon approval.

Amendment 2

In order to clarify that the funds can be used to provide enforcement of departmental rules, the Department requests the following be added to the measure:

Section 199-1.5, Hawaii Revised Statutes is amended, as follows:

1. By amending subsection (b) to read:

“(b) The following shall be deposited into the conservation and resources enforcement special fund:

- (1) Grants, awards, donations, gifts, transfers, or moneys derived from public or private sources for the purposes of enforcing the provisions of title 12; chapters 6D, 6E, and 6K; or any rule adopted thereunder;
- (2) Fees, reimbursements, administrative charges, and penalties collected for activities related to the enforcement of natural, cultural and historic resources protection laws and rules, except as otherwise provided by law that provides for deposits into other special funds administered by the department;
- (3) Moneys derived from interest, dividends, or other income from the above-mentioned sources;
- (4) Appropriations by the legislature to the special fund; and
- (5) Transient accommodations tax revenue pursuant to section 171-19 (a) (2).”

We note that at their hearing on Wednesday, January 29, 2014, the Senate Committees on Tourism, and Water and Land, considered the companion measure, Senate Bill 2430, and passed it out with amendments. It is our understanding that the above-requested amendments were included, as well as an increase in the allocation to \$12,000,000.



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](http://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. No. 2434**  
**Relating to the Transient Accommodations Tax**  
Housee Committee on Tourism  
Monday, February 3, 2014  
9:30 a.m.  
Conference Room 312

The Hawaii Tourism Authority (HTA) supports H.B. No. 2434, which corrects an administrative problem caused by the wording of Act 161, SLH 2013.

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 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, 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 makes conforming amendments to sections 171-156, the Beach Restoration Special Fund, and 184-3.4, the State Parks Special Fund.

Thank you for the opportunity to offer these comments.



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 2434  
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 2434.

This bill will make it easier for the Department of Natural Land Resources and the Hawaii Tourism Authority to access and allocate the \$3M 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.