



WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3024, S.D. 1

February 20, 2014

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 3024, S.D. 1, increases the amount of excess revenues allocated 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 in accordance with the Hawaii Tourism Authority Strategic Plan to \$10,000,000 and allocates \$5,000,000 of the \$10,000,000 to the Division of Conservation and Resource Enforcement.

The Department of Budget and Finance does not take a position on the policy of increasing support for tourism-related Department of Land and Natural Resources programs; however, as a matter of general policy, the department does not support earmarking of general fund revenues. We strongly believe that general fund resources should be used and allocated through the biennium budget process based on statewide needs and priorities.

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

Thursday, February 20, 2014
9:05 AM
State Capitol, Room 211

In consideration of
SENATE BILL 3024, SENATE DRAFT 1
RELATING TO THE TRANSIENT ACCOMODATIONS TAX

Senate Bill 3024, Senate Draft 1, proposes to increase the amount of excess revenues allocated 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, to \$10,000,000, and would allocate \$5,000,000 of the \$10,000,000 to the Division of Conservation and Resources Enforcement. **The Department of Land and Natural Resources (Department) strongly supports this measure but requests amended language in SECTION 6 to provide clarity in the manner in which the proposed funding would be received by the Department.**

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. The current draft of Senate Bill 3024, Senate Draft 1, provides for deposit into various special funds; however, all the revenue is still going to the general fund.

In order to address this issue, we request Senate Bill 3024, Senate Draft 1 be amended with language similar to that in Senate Bill 2430, Senate Draft 1, as follows:

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

On page 11, line 3:

- (4) [~~Of the excess revenues deposited into the general fund pursuant to this subsection, \$3,000,000~~] \$10,000,000 shall be allocated to the special land and development fund established in section 171-19 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 . . .

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.



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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. 1
Relating to the Transient Accommodations Tax
Senate Committee on Ways and Means
Senate Committee on Water and Land
Thursday, February 20, 2014
9:05 a.m.
Conference Room 211

The Hawaii Tourism Authority (HTA) supports S.B. No. 3024, S.D. 1, which corrects an administrative problem caused by the wording of Act 161, SLH 2013, and increases the allocation of transient accommodations tax (TAT) revenues to the board of land and natural resources.

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.

S.B. 3024, S.D. 1, corrects the error and increases the TAT allocation from \$3 million to \$10 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, and provided further that \$5 million be allocated to the Division of Conservation and Resource Enforcement.

S.B. 3024, S.D. 1, makes conforming amendments to section 171-156, the Beach Restoration Special Fund; section 184-3.4, the State Parks Special Fund; section 198D-2, establishment of the Hawaii Statewide Trail and Access Program; and 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

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

BILL NUMBER: SB 3024, SD-1

INTRODUCED BY: Senate Committees on Tourism and Water and Land

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(4) to increase the amount of revenue 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 from \$3 million to \$10 million and provides that \$5 million shall be allocated to the division of conservation and resource enforcement.

EFFECTIVE DATE: Upon approval

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 would increase the amount from \$3 million to \$10 million and provide that \$5 million 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 2/19/14

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 3024 SD 1 Relating to the Transient Accommodations Tax
Senate Committee on Ways and Means
Thursday, February 20, 2014, 9:05AM, Room 211

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. We actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i, and work with public and private partners and communities on land and marine management projects.

The Nature Conservancy supports S.B. 3024 SD 1 to provide a portion of the transient accommodations tax for management of natural resources, facilities and public lands that are important to visitors, as well as for natural resources law enforcement.

Hawai'i's globally unique environment is amongst the top reasons visitors from all over the world come to these islands. There is also widespread agreement that Hawai'i's fragile environment is in need of improved management and protection, as well as better compliance and enforcement of State natural resource laws. In addition, climate change is an imminent and unprecedented threat to natural systems (forests, coastlines, coral reefs) and to every resident and visitor that—whether they know it or not—depends on services from a healthy and functioning natural environment.

Presently, the DLNR receives about 1% of the State's general fund budget to oversee and care for millions of acres of natural lands and waters. Obviously, not all of the cost of protecting these resources should be laid at the feet of the visitor industry; it's everyone's responsibility because we all benefit and are at risk. And, while litter and graffiti clean ups and park restroom repairs are important, long term, larger investments are needed in:

- **Forest** management to ensure that they are as healthy as possible to capture as much rain (drinking water) and hold as much soil as possible as climate change brings more severe individual storm events, but overall less rainfall and more long term drought events;
- **Coral reef** and near shore management to ensure that they are as healthy as possible to withstand the warming and acidification effects of climate change and still provide storm protection, seafood, and a continuing visitor attraction;
- **Invasive pest** prevention and control so that at the same time we are inviting the world to our shores, we are not also granting easy access to the world's pests and diseases; and
- **Compliance** and enforcement for those who choose not to respect these natural resources.

We all have a stake--including the visitor industry--in the general health and function of Hawai'i's finite natural environment and resources as a:

- **Raw material** that supports the lifestyle and livelihood of every resident, visitor and business;
- **Service** that if not healthy and functioning will not deliver basic elements like fresh water needed for any person or business to thrive in the middle of the Pacific ocean; and
- **Product** that we market to the outside world for a variety of reasons to get them to come here or invest here.

Thank you for this opportunity to offer our support for this measure.

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