
A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

SECTION 1. (a) The legislature finds that:

(1) Pursuant to Act 174, Session Laws of Hawaii 2014, the state-county functions working group was convened to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services and to recommend an appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services;

(2) Though the transient accommodations tax has evolved to meet the needs and purposes of the times, its structure and frequent amendment, combined with the cyclical nature of the visitor industry and the tax revenues it generates, has resulted in ongoing



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1 discussions among the various stakeholders, including
2 the State, the counties, the visitor industry, the
3 Hawaii tourism authority, and other recipients or
4 potential recipients of transient accommodations tax
5 revenues;

6 (3) The state-county functions working group, composed of
7 state, county, and visitor industry representatives
8 and other knowledgeable and concerned citizens, and
9 which has been aided by experts, considered the
10 legislature's assignment for over a year and delivered
11 to the legislature its final unanimous report,
12 inclusive of analysis, findings, conclusions, and
13 recommendations;

14 (4) In particular, the state-county functions working
15 group found and concluded that:

16 (A) The application of the transient accommodations
17 tax and the allocation of its revenues should be
18 simplified and stabilized so as to be clear,
19 consistent, and predictable over time, in view of
20 the need to invest in tourism as a premier
21 industry;



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- 1 (B) The tourism special fund should be provided a
2 priority distribution of the transient
3 accommodations tax revenues at an assured minimum
4 level, adjusted for inflation, and regardless of
5 overall transient accommodations tax collections;
- 6 (C) After the priority distribution of the transient
7 accommodations tax revenues to the tourism
8 special fund, existing allocations to the Turtle
9 Bay conservation easement special fund,
10 convention center enterprise special fund, and
11 special land and development fund should be
12 maintained at their current levels, with any
13 additional state funding of these efforts made
14 out of state general funds by separate
15 appropriation;
- 16 (D) Based on a review of state and county functions,
17 including tourism expenditures, an appropriate
18 allocation of the remaining transient
19 accommodations tax revenues is fifty-five per
20 cent to the state general fund and forty-five per
21 cent to the counties; and



- 1 (E) There should be no fixed dollar amounts, caps,
2 floors, or similar restrictions on allocations to
3 the State and counties of the remaining revenues;
4 instead, both the State and the county
5 allocations should increase or decrease
6 proportionately with increasing or decreasing
7 transient accommodations tax revenues; and
- 8 (5) The state-county functions working group
9 recommendations reflect a fair, balanced, and
10 reasonable compromise of competing needs for scarce
11 resources and provide a sound policy base for the
12 further administration of the transient accommodations
13 tax and its revenues.
- 14 (b) The purpose of this Act is to:
- 15 (1) Provide a fair, consistent, and predictable priority
16 allocation of transient accommodations tax revenues,
17 of an assured minimum amount, to the tourism special
18 fund;
- 19 (2) Maintain allocation of transient accommodations tax
20 revenues to existing obligations at present levels;



1 (3) Provide a fair, consistent, and predictable allocation
2 of the balance of the transient accommodations tax
3 revenues between the State and the counties; and

4 (4) Provide flexibility to the tourism special fund,
5 State, and counties in the utilization of their
6 respective allocations.

7 PART II

8 SECTION 2. Section 237D-6.5, Hawaii Revised Statutes, is
9 amended by amending subsection (b) to read as follows:

10 "(b) Revenues collected under this chapter shall be
11 distributed in the following priority, with the excess revenues
12 to be deposited into the general fund:

13 [~~(1) \$1,500,000 shall be allocated to the Turtle Bay
14 conservation easement special fund beginning July 1,
15 2015, for the reimbursement to the state general fund
16 of debt service on reimbursable general obligation
17 bonds, including ongoing expenses related to the
18 issuance of the bonds, the proceeds of which were used
19 to acquire the conservation easement and other real
20 property interests in Turtle Bay, Oahu, for the
21 protection, preservation, and enhancement of natural~~]



~~resources important to the State, until the bonds are fully amortized,]~~

(1) \$82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that, beginning July 1, 2016, and in each fiscal year thereafter, the dollar amount of revenues allocated to the tourism special fund under this paragraph shall be adjusted by an amount equal to the dollar amount multiplied by the percentage, if any, by which the Honolulu region consumer price index for all urban consumers (CPI-U), or a successor index, as calculated by the United States Department of Labor, for the preceding calendar year exceeds the consumer price index for the calendar year 2015; and provided further that:

(A) Of the revenues allocated to the tourism special fund:

(i) \$1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and



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1 (ii) 0.5 per cent shall be transferred to a sub-
2 account in the tourism special fund to
3 provide funding for a safety and security
4 budget, in accordance with the Hawaii
5 tourism strategic plan; and

6 (B) Of the revenues remaining in the tourism special
7 fund after revenues have been deposited as
8 provided in this paragraph and except for any sum
9 authorized by the legislature for expenditure
10 from revenues subject to this paragraph,
11 beginning July 1, 2007, funds shall be deposited
12 into the tourism emergency special fund,
13 established in section 201B-10, in a manner
14 sufficient to maintain a fund balance of
15 \$5,000,000 in the tourism emergency special fund;

16 (2) \$26,500,000 shall be allocated to the convention
17 center enterprise special fund established under
18 section 201B-8;

19 ~~[(3) \$82,000,000 shall be allocated to the tourism special~~
20 ~~fund established under section 201B-11; provided that:~~

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1 ~~(A) Beginning on July 1, 2012, and ending on June 30,~~
2 ~~2015, \$2,000,000 shall be expended from the~~
3 ~~tourism special fund for development and~~
4 ~~implementation of initiatives to take advantage~~
5 ~~of expanded visa programs and increased travel~~
6 ~~opportunities for international visitors to~~
7 ~~Hawaii;~~

8 ~~(B) Of the \$82,000,000 allocated:~~

9 ~~(i) \$1,000,000 shall be allocated for the~~
10 ~~operation of a Hawaiian center and the~~
11 ~~museum of Hawaiian music and dance at the~~
12 ~~Hawaii convention center; and~~

13 ~~(ii) 0.5 per cent of the \$82,000,000 shall be~~
14 ~~transferred to a sub account in the tourism~~
15 ~~special fund to provide funding for a safety~~
16 ~~and security budget, in accordance with the~~
17 ~~Hawaii tourism strategic plan 2005-2015; and~~

18 ~~(C) Of the revenues remaining in the tourism special~~
19 ~~fund after revenues have been deposited as~~
20 ~~provided in this paragraph and except for any sum~~
21 ~~authorized by the legislature for expenditure~~



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1 ~~from revenues subject to this paragraph,~~
2 ~~beginning July 1, 2007, funds shall be deposited~~
3 ~~into the tourism emergency special fund,~~
4 ~~established in section 201B-10, in a manner~~
5 ~~sufficient to maintain a fund balance of~~
6 ~~\$5,000,000 in the tourism emergency special~~
7 ~~fund,]~~

8 (3) \$3,000,000 shall be allocated to the special land and
9 development fund established under section 171-19;
10 provided that the allocation shall be expended in
11 accordance with the Hawaii tourism authority strategic
12 plan for:

13 (A) The protection, preservation, maintenance, and
14 enhancement of natural resources, including
15 beaches, important to the visitor industry;

16 (B) Planning, construction, and repair of facilities;
17 and

18 (C) Operation and maintenance costs of public lands,
19 including beaches, connected with enhancing the
20 visitor experience;



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1 (4) \$1,500,000 shall be allocated to the Turtle Bay
2 conservation easement special fund beginning July 1,
3 2015, for the reimbursement to the state general fund
4 of debt service on reimbursable general obligation
5 bonds, including ongoing expenses related to the
6 issuance of the bonds, the proceeds of which were used
7 to acquire the conservation easement and other real
8 property interests in Turtle Bay, Oahu, for the
9 protection, preservation, and enhancement of natural
10 resources important to the State, until the bonds are
11 fully amortized; and

12 [~~(4)~~] (5) [~~[\$103,000,000 for fiscal year 2014-2015,~~
13 ~~\$103,000,000 for fiscal year 2015-2016, and~~
14 ~~\$93,000,000 for each fiscal year thereafter]~~ Of the
15 remaining revenues collected under this chapter,
16 forty-five per cent shall be allocated to the counties
17 and shall be distributed as follows: Kauai county
18 shall receive 14.5 per cent, Hawaii county shall
19 receive 18.6 per cent, city and county of Honolulu
20 shall receive 44.1 per cent, and Maui county shall
21 receive 22.8 per cent; provided that commencing with



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1 fiscal year 2018-2019, a sum that represents the
 2 difference between a county public employer's annual
 3 required contribution for the separate trust fund
 4 established under section 87A-42 and the amount of the
 5 county public employer's contributions into that trust
 6 fund shall be retained by the state director of
 7 finance and deposited to the credit of the county
 8 public employer's annual required contribution into
 9 that trust fund in each fiscal year, as provided in
 10 section 87A-42, if the respective county fails to
 11 remit the total amount of the county's required annual
 12 contributions, as required under section 87A-43 [~~and~~
 13 ~~(5) \$3,000,000 shall be allocated to the special land and~~
 14 ~~development fund established under section 171-19;~~
 15 ~~provided that the allocation shall be expended in~~
 16 ~~accordance with the Hawaii tourism authority strategic~~
 17 ~~plan for:~~
 18 ~~(A) The protection, preservation, maintenance, and~~
 19 ~~enhancement of natural resources, including~~
 20 ~~beaches, important to the visitor industry;~~



- 1 ~~(B) Planning, construction, and repair of facilities,~~
- 2 ~~and~~
- 3 ~~(C) Operation and maintenance costs of public lands,~~
- 4 ~~including beaches, connected with enhancing the~~
- 5 ~~visitor experience].~~

6 All transient accommodations taxes shall be paid into the
7 state treasury each month within ten days after collection and
8 shall be kept by the state director of finance in special
9 accounts for distribution as provided in this subsection.

10 As used in this subsection, "fiscal year" means the twelve-
11 month period beginning on July 1 of a calendar year and ending
12 on June 30 of the following calendar year."

13 PART III

14 SECTION 3. Section 87A-42, Hawaii Revised Statutes, is
15 amended by amending subsection (d) to read as follows:

16 "(d) In any fiscal year subsequent to the 2017-2018 fiscal
17 year in which a county public employer's contributions into the
18 fund are less than the amount of the annual required
19 contribution, the amount that represents the excess of the
20 annual required contribution over the county public employer's
21 contributions shall be deposited into the fund from a portion of



1 all transient accommodations tax revenues collected by the
2 department of taxation under section [~~237D-6.5(b)(4)~~] 237D-
3 6.5(b)(5). The director of finance shall deduct the amount
4 necessary to meet the county public employer's annual required
5 contribution from the revenues derived under section [~~237D-~~
6 ~~6.5(b)(4)~~] 237D-6.5(b)(5) and transfer the amount to the board
7 for deposit into the appropriate account of the separate trust
8 fund."

9 SECTION 4. Section 171-19, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) There is created in the department a special fund to
12 be designated as the "special land and development fund".
13 Subject to the Hawaiian Homes Commission Act of 1920, as
14 amended, and section 5(f) of the Admission Act of 1959, all
15 proceeds of sale of public lands, including interest on deferred
16 payments; all moneys collected under section 171-58 for mineral
17 and water rights; all rents from leases, licenses, and permits
18 derived from public lands; all moneys collected from lessees of
19 public lands within industrial parks; all fees, fines, and other
20 administrative charges collected under this chapter and chapter
21 183C; a portion of the highway fuel tax collected under chapter



1 243; all moneys collected by the department for the commercial
2 use of public trails and trail accesses under the jurisdiction
3 of the department; transient accommodations tax revenues
4 collected pursuant to section [~~237D-6.5(b)(5);~~] 237D-6.5(b)(3);
5 and private contributions for the management, maintenance, and
6 development of trails and accesses shall be set apart in the
7 fund and shall be used only as authorized by the legislature for
8 the following purposes:

- 9 (1) To reimburse the general fund of the State for
10 advances made that are required to be reimbursed from
11 the proceeds derived from sales, leases, licenses, or
12 permits of public lands;
- 13 (2) For the planning, development, management, operations,
14 or maintenance of all lands and improvements under the
15 control and management of the board pursuant to title
16 12, including but not limited to permanent or
17 temporary staff positions who may be appointed without
18 regard to chapter 76; provided that transient
19 accommodations tax revenues allocated to the fund
20 shall be expended as provided in section [~~237D-~~
21 ~~6.5(b)(5);~~] 237D-6.5(b)(3);



- 1 (3) To repurchase any land, including improvements, in the
2 exercise by the board of any right of repurchase
3 specifically reserved in any patent, deed, lease, or
4 other documents or as provided by law;
- 5 (4) For the payment of all appraisal fees; provided that
6 all fees reimbursed to the board shall be deposited in
7 the fund;
- 8 (5) For the payment of publication notices as required
9 under this chapter; provided that all or a portion of
10 the expenditures may be charged to the purchaser or
11 lessee of public lands or any interest therein under
12 rules adopted by the board;
- 13 (6) For the management, maintenance, and development of
14 trails and trail accesses under the jurisdiction of
15 the department;
- 16 (7) For the payment to private land developers who have
17 contracted with the board for development of public
18 lands under section 171-60;
- 19 (8) For the payment of debt service on revenue bonds
20 issued by the department, and the establishment of



- 1 debt service and other reserves deemed necessary by
- 2 the board;
- 3 (9) To reimburse the general fund for debt service on
- 4 general obligation bonds issued to finance
- 5 departmental projects, where the bonds are designated
- 6 to be reimbursed from the special land and development
- 7 fund;
- 8 (10) For the protection, planning, management, and
- 9 regulation of water resources under chapter 174C; and
- 10 (11) For other purposes of this chapter."

PART IV

12 SECTION 5. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 6. This Act shall take effect on July 1, 2016.

15

INTRODUCED BY:  _____

By Request

JAN 13 2016



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Report Title:

State-County Functions Working Group; Transient Accommodations Tax; Allocation; Tourism Special Fund; Counties

Description:

Adjusts allocation of transient accommodations tax revenues to the tourism special fund for inflation. Adjusts allocation to the counties to equal 45% of the amount of revenues remaining after all other allocations are made.

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