

JAN 27 2016

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# A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

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

1           SECTION 1. This Act addresses the allocation of transient  
2 accommodations tax revenues by:

3           (1) Making permanent the annual allocation of \$103,000,000  
4           of transient accommodations tax revenues to the  
5           counties; and

6           (2) Establishing a state-county functions working group on  
7           July 1, 2022.

8           The state-county functions working group created under Act  
9 174, Session Laws of Hawaii 2014, issued a report on the  
10 transient accommodations tax revenue allocation, which included  
11 data indicating that the State spends about eighty per cent of  
12 the total government expenditures in Hawaii while the counties  
13 spend about twenty per cent. See exhibit 2-12 of the "State-  
14 County Functions Working Group Report," dated December 2015.

15           The legislature finds that the allocation of transient  
16 accommodations tax revenues should be based upon the  
17 proportionate expenditure by the State and counties for all



1 public services, not just for visitor-related services as relied  
2 upon by the working group. Consequently, the legislature finds  
3 that the \$103,000,000 annual allocation to the counties is  
4 reasonable. The legislature notes that the allocation to the  
5 counties would have reverted to \$93,000,000 annually on July 1,  
6 2016, under Act 174, Session Laws of Hawaii 2014.

7 The legislature also finds that the allocation of an amount  
8 definitely set, rather than calculated as a percentage of  
9 revenues, promotes better budgetary practice. A specific  
10 allocation allows the actual dollars forgone by the State to be  
11 determined when projecting revenues for formulating the state  
12 budget.

13 In addition, the legislature recognizes that the issue of  
14 state-county relations should be reviewed again in the future to  
15 determine if the transient accommodations tax revenue allocation  
16 should be changed. Consequently, this Act establishes another  
17 working group in 2022 and requires that working group to submit  
18 a report to the legislature for consideration during the regular  
19 session of 2023. The legislature intends that the 2022 working  
20 group base its recommendation upon the division of duties and



1 responsibilities between the State and counties for all public  
2 services, not exclusively visitor-related services.

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

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

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

19 (2) \$26,500,000 shall be allocated to the convention  
20 center enterprise special fund established under  
21 section 201B-8;



- 1           (3) \$82,000,000 shall be allocated to the tourism special  
2           fund established under section 201B-11; provided that:
- 3           (A) Beginning on July 1, 2012, and ending on June 30,  
4           2015, \$2,000,000 shall be expended from the  
5           tourism special fund for development and  
6           implementation of initiatives to take advantage  
7           of expanded visa programs and increased travel  
8           opportunities for international visitors to  
9           Hawaii;
- 10          (B) Of the \$82,000,000 allocated:
- 11           (i) \$1,000,000 shall be allocated for the  
12           operation of a Hawaiian center and the  
13           museum of Hawaiian music and dance at the  
14           Hawaii convention center; and
- 15           (ii) 0.5 per cent of the \$82,000,000 shall be  
16           transferred to a sub-account in the tourism  
17           special fund to provide funding for a safety  
18           and security budget, in accordance with the  
19           Hawaii tourism strategic plan 2005-2015; and
- 20          (C) Of the revenues remaining in the tourism special  
21           fund after revenues have been deposited as



1 provided in this paragraph and except for any sum  
2 authorized by the legislature for expenditure  
3 from revenues subject to this paragraph,  
4 beginning July 1, 2007, funds shall be deposited  
5 into the tourism emergency special fund,  
6 established in section 201B-10, in a manner  
7 sufficient to maintain a fund balance of  
8 \$5,000,000 in the tourism emergency special fund;  
9 (4) \$103,000,000 [~~for fiscal year 2014-2015, \$103,000,000~~  
10 ~~for fiscal year 2015-2016, and \$93,000,000 for each~~  
11 ~~fiscal year thereafter~~] shall be allocated as follows:  
12 Kauai county shall receive 14.5 per cent, Hawaii  
13 county shall receive 18.6 per cent, city and county of  
14 Honolulu shall receive 44.1 per cent, and Maui county  
15 shall receive 22.8 per cent; provided that commencing  
16 with fiscal year 2018-2019, a sum that represents the  
17 difference between a county public employer's annual  
18 required contribution for the separate trust fund  
19 established under section 87A-42 and the amount of the  
20 county public employer's contributions into that trust  
21 fund shall be retained by the state director of



1 finance and deposited to the credit of the county  
2 public employer's annual required contribution into  
3 that trust fund in each fiscal year, as provided in  
4 section 87A-42, if the respective county fails to  
5 remit the total amount of the county's required annual  
6 contributions, as required under section 87A-43; and  
7 (5) \$3,000,000 shall be allocated to the special land and  
8 development fund established under section 171-19;  
9 provided that the allocation shall be expended in  
10 accordance with the Hawaii tourism authority strategic  
11 plan for:

- 12 (A) The protection, preservation, maintenance, and  
13 enhancement of natural resources, including  
14 beaches, important to the visitor industry;
- 15 (B) Planning, construction, and repair of facilities;  
16 and
- 17 (C) Operation and maintenance costs of public lands,  
18 including beaches, connected with enhancing the  
19 visitor experience.

20 All transient accommodations taxes shall be paid into the  
21 state treasury each month within ten days after collection and



1 shall be kept by the state director of finance in special  
2 accounts for distribution as provided in this subsection.

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

6 SECTION 3. (a) There shall be established a state-county  
7 functions working group on July 1, 2022.

8 The working group shall:

- 9 (1) Evaluate the division of duties and responsibilities  
10 between the State and counties relating to the  
11 provision of all public services; and  
12 (2) Submit a recommendation to the legislature on the  
13 appropriate allocation of the transient accommodations  
14 tax revenues between the State and counties that  
15 properly reflects the division of duties and  
16 responsibilities relating to the provision of public  
17 services.

18 (b) The working group shall be comprised of thirteen  
19 members appointed without regard to section 26-34, Hawaii  
20 Revised Statutes, as follows:



- 1           (1) Four members, each of whom shall be appointed by a  
2                   different county mayor;
- 3           (2) Four members appointed by the governor;
- 4           (3) Two members appointed by the president of the senate;
- 5           (4) Two members appointed by the speaker of the house of  
6                   representatives; and
- 7           (5) One member appointed by the chief justice, who shall  
8                   serve as the chair of the working group.

9   The members appointed under paragraphs (3), (4), and (5) shall  
10 not be employed by the State or any county at the time of their  
11 appointment.

12           (c) The working group shall be administratively placed in  
13 the office of the auditor. The auditor shall initiate the  
14 organization of, and provide staff support to, the working  
15 group.

16           (d) Members of the working group shall serve without  
17 compensation, but shall be reimbursed for necessary expenses  
18 incurred during the performance of their duties. The  
19 reimbursements shall be made by the auditor, who shall submit a  
20 request to the legislature for an appropriation equal to the  
21 reimbursements made and expected to be made. The auditor shall





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1 submit the request for inclusion in the legislature's budget act  
2 of 2022.

3 (e) The working group shall submit a report of its  
4 findings and recommendation to the legislature, governor, and  
5 each county mayor and council not later than twenty days prior  
6 to the convening of the regular session of 2023.

7 (f) The working group shall cease to exist upon the  
8 adjournment sine die of the regular session of 2023.

9 SECTION 4. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 5. This Act shall take effect on June 30, 2016.

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INTRODUCED BY: \_\_\_\_\_



# S.B. NO. 2987

**Report Title:**

Transient Accommodations Tax; Counties' Allocation, 2022 State-County Functions Working Group

**Description:**

Makes permanent the annual \$103,000,000 allocation of transient accommodations tax revenues to the counties. Requires the establishment of a state-county functions working group in 2022 to recommend the allocation of transient accommodation tax revenues between the State and counties based upon the division of duties and responsibilities for the provision of public services.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

