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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  
18 public services, not just for visitor-related services as relied



1 upon by the working group. Consequently, the legislature finds  
2 that the \$103,000,000 annual allocation to the counties is  
3 reasonable. The legislature notes that the allocation to the  
4 counties would have reverted to \$93,000,000 annually on July 1,  
5 2016, under Act 174, Session Laws of Hawaii 2014.

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

12 In addition, the legislature recognizes that the issue of  
13 state-county relations should be reviewed again in the future to  
14 determine if the transient accommodations tax revenue allocation  
15 should be changed. Consequently, this Act establishes another  
16 working group in 2022 and requires that working group to submit  
17 a report to the legislature for consideration during the regular  
18 session of 2023. The legislature intends that the 2022 working  
19 group base its recommendation upon the division of duties and  
20 responsibilities between the State and counties for all public  
21 services, not exclusively visitor-related services.



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

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

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

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

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



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



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 fund;  
7 (4) \$103,000,000 [~~for fiscal year 2014-2015, \$103,000,000~~  
8 ~~for fiscal year 2015-2016, and \$93,000,000 for each~~  
9 ~~fiscal year thereafter]~~ shall be allocated as follows:  
10 Kauai county shall receive 14.5 per cent, Hawaii  
11 county shall receive 18.6 per cent, city and county of  
12 Honolulu shall receive 44.1 per cent, and Maui county  
13 shall receive 22.8 per cent; provided that commencing  
14 with fiscal year 2018-2019, a sum that represents the  
15 difference between a county public employer's annual  
16 required contribution for the separate trust fund  
17 established under section 87A-42 and the amount of the  
18 county public employer's contributions into that trust  
19 fund shall be retained by the state director of  
20 finance and deposited to the credit of the county  
21 public employer's annual required contribution into



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

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

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



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

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

6       The working group shall:

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

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

- 19       (1) Four members, each of whom shall be appointed by a  
20            different county mayor;
- 21       (2) Four members appointed by the governor;



1 (3) Two members appointed by the president of the senate;

2 (4) Two members appointed by the speaker of the house of  
3 representatives; and

4 (5) One member appointed by the chief justice, who shall  
5 serve as the chair of the working group.

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

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

13 (d) Members of the working group shall serve without  
14 compensation, but shall be reimbursed for necessary expenses  
15 incurred during the performance of their duties. The  
16 reimbursements shall be made by the auditor, who shall submit a  
17 request to the legislature for an appropriation equal to the  
18 reimbursements made and expected to be made. The auditor shall  
19 submit the request for inclusion in the legislature's budget act  
20 of 2022.





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

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

7           SECTION 4. Statutory material to be repealed is bracketed  
8 and stricken.

9           SECTION 5. This Act shall take effect on July 1, 2076.



**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 accommodations tax revenues between the State and counties based upon the division of duties and responsibilities for the provision of public services. Effective 7/1/2076. (SD2)

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

