



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR ON
HOUSE BILL NO. 1257, RELATING TO THE TRANSIENT ACCOMMODATIONS
TAX**

**House Committee on Tourism
February 4, 2015**

Chair Brower and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to comment on House Bill No. 1257, relating to the transient accommodations tax (TAT). This measure would allocate \$3,000,000 of TAT revenue to the special land and development fund to be expended by mutual agreement of the Board of Land and Natural Resources and Board of Directors of the Hawai'i Tourism Authority.

The State-County Functions Working Group is meeting at 10:00 a.m. this morning (February 4, 2015) and has not yet taken a position on TAT measures proposed during the 2015 Regular Session; thus, it is unable to submit testimony on this measure at this time. Its work, however, will be directly impacted by passage of TAT legislation this year.

The Working Group was created by Act 174 (SLH 2014) and administratively placed within the Office of the Auditor. The Working Group, which first convened in October 2014, is comprised of 13 members and assigned the following responsibilities:

- 1) Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and

- 2) Submit a recommendation to the Legislature on the 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.

The Working Group is charged with submitting two reports: 1) an Interim Report, which was delivered to the Legislature, Governor, and each of the county Mayors, on December 18, 2014; and 2) a Final Report with its findings and recommendations to the same parties 20 days prior to the convening of the 2016 Regular Session. Accordingly, the Working Group will continue its work through 2015 and shall cease to exist upon the adjournment sine die of the 2016 Regular Session.

Thank you for the opportunity to offer comments on House Bill No. 1257. I am available for your questions.



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David Y. Ige
Governor

Ronald Williams
Chief Executive Officer

Testimony of
Ronald Williams
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. No. 1257
Relating to the Transient Accommodations Tax
House Committee on Tourism
Wednesday, February 4, 2015
9:30 a.m.
Conference Room 312

The Hawaii Tourism Authority strongly supports H.B. No. 1257, which corrects an error in Act 161, Session Laws of Hawaii 2013.

Act 161, Session Laws of Hawaii 2013, amended section 237D-6.5, to provide 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.

The phrase "deposited into the general fund," however, created a problem because those funds could not be expended by the Department of Land and Natural Resources without being further appropriated. H.B. 1257 corrects this error by:

- Providing that the \$3 million be allocated to the Special Land and Development Fund; and
- Amending section 171-19, which creates the Special Land and Development Fund, to provide that 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, pursuant to title 12, HRS, provided that TAT funds allocated to the Fund shall be expended according to a mutual agreement of the BLNR and the HTA board that conforms to the Tourism Strategic Plan.

For these reasons, we strongly support H.B. 1257, and urge its passage.

Mahalo for the opportunity to offer these comments.

DAVID Y. IGE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
CARTY S. CHANG
Interim Chairperson

Before the House Committee on
TOURISM

Wednesday, February 4, 2015
9:30 AM
State Capitol, Conference Room 312

In consideration of
HOUSE BILL 1257
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill 1257 proposes to allocate \$3,000,000 of transient accommodations tax revenues to the special land and development fund to be expended according to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority and in accordance with the long-range strategic plan for tourism. **While the Department of Land and Natural Resources (Department) prefer the language in the Administration's proposal House Bill 954, the Department strongly supports the proposed amendment to Section 237D-6.5 (b)(5), Hawaii Revised Statutes, in SECTION 2 of this measure but requests that this measure be amended to take effect upon approval in order to allow the Department to make use of the current fiscal year's funds.**

In 2013, 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. Thus, to date, the Department has received none of the funding intended for it by the Act in Fiscal Year 2013-2014 or the current Fiscal Year.

CARTY S. CHANG
INTERIM CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

DANIEL S. QUINN
INTERIM FIRST DEPUTY

W. ROY HARDY
ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Last session, a measure was introduced which included language that solved the issue. The bill remained viable and made it into conference committee. However, last minute revisions related to the acquisition of the Turtle Bay Conservation Easement resulted in elimination of that language.

This measure, House Bill 1257, solves the issue of authority to expend the funds. With that issue resolved, the Department requests that the measure take effect upon approval, in order that it might access funding intended for use in the current Fiscal Year. The Department urges your strong support of this measure with the requested amendment.

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SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for special land and development fund

BILL NUMBER: SB 284; HB 1257 (Identical)

INTRODUCED BY: SB by Kim and Kahele; HB by Brower, Choy, Ito, McKelvey and 2 Democrats

EXECUTIVE SUMMARY: This bill adjusts earmarks on the transient accommodations tax (TAT) that feed various special funds. Earmarks decrease transparency and accountability of government operations and should be avoided.

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(5) 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.

EFFECTIVE DATE: July 1, 2015

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.

SB 284; HB 1257 (Identical)

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, decreases transparency and accountability.

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 spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/3/2015



HAWAI'I LODGING & TOURISM
ASSOCIATION

LATE

Testimony of George Szigeti
President & CEO
HAWAI'I LODGING & TOURISM ASSOCIATION
Committee on Tourism
Hearing on February 04, 2015, 9:30 A.M.
HB1257 Relating to the Transient Accommodations Tax

Dear Chair Brower, Vice Chair Ohno, and Members of the Committee. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 50,000 rooms, and over 400 other Allied members. The visitor industry was responsible for generating \$14.9 billion in visitor spending in 2014 and supported 170,000 jobs statewide – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer this testimony regarding HB1257 Relating to the Transient Accommodations Tax, which allocates \$3,000,000 of transient accommodations tax revenues to the special land and development fund to be expended according to the mutual agreement of the board of land and natural resources and board of directors of the Hawaii tourism authority and in accordance with the long-range strategic plan for tourism.

HLTA **supports** HB1257 because it corrects an error in Act 161, Session Laws of Hawai'i 2013, by changing the phrase "of the excess revenues deposited into the general fund pursuant to this subsection" to "\$3,000,000 shall be allocated to the special land and development fund...". This will help streamline the process by which the Hawaii Tourism Authority and Board of Land and Natural Resources distributes funds designated under Act 161 for the preservation and management of natural resources and facilities important to the visitor industry.

We urge your favorable consideration of this bill.

Thank you for this opportunity to testify.