



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,  
STATE-COUNTY FUNCTIONS WORKING GROUP, ON  
HOUSE BILL NO. 197, HOUSE DRAFT 1,  
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

**House Committee on Finance  
February 26, 2015**

Chair Luke and Members of the Committee:

I am Simeon R. Acoba, Chair of the State-County Functions Working Group. Thank you for the opportunity to comment on House Bill No. 197, House Draft 1, relating to the transient accommodations tax (TAT). This measure would amend the amount of TAT revenues allocated to the counties from a specified sum to a percentage of the revenues allocated.

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 appointed by the Governor, the Senate President, the Speaker of the House of Representatives, each of the county mayors, and the Chief Justice. The group is 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.

Act 174 requires the Working Group to submit 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.

The Working Group will continue its work through 2015 and shall cease to exist upon the adjournment sine die of the 2016 Regular Session. We note that any TAT legislation passed this year may affect the on-going work of the Working Group. Accordingly, while we take no position on the merits of this bill, we respectfully request your consideration of deferring decisions on TAT legislation introduced this year to the 2<sup>nd</sup> year of the 28<sup>th</sup> State Legislature to enable the the Working Group to complete its work. As required by Act 174, the Working Group will report its findings and make recommendations prior to the 2016 Regular Session.

Thank you for the opportunity to offer comments on House Bill No. 197, House Draft 1. I am available for your questions.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 197, H.D. 1

February 26, 2015

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill No. 197, H.D. 1, amends the amount of Transient Accommodations Tax (TAT) revenues allocated to the counties from a specified sum to a percentage (44.8%) of the revenues collected for the counties to address visitor industry impacts on county services and tourist-related infrastructure.

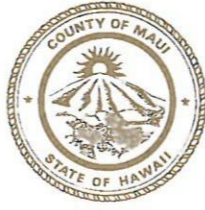
The Department of Budget and Finance has concerns with this measure as it will have a significant impact on the Administration's general fund financial plan. The general fund loss will reduce the general fund balance, thereby limiting the Administration's flexibility in dealing with fiscal contingencies and jeopardizing the Administration's biennium budget request.

Using FY 14 TAT collections (\$395,241,877) as a base for FY 16 and applying the 44.8%, the provisions of House Bill No. 197, H.D. 1, will result in a general fund loss of \$74.1 million in FY 16, and \$84.1 million in FY 17 and each fiscal year thereafter.

Act 174, SLH 2014, established a State-county functions working group to make a recommendation to the Legislature on the appropriate allocation of the TAT revenues between the State and counties based on the division of duties and responsibilities in providing public services. A final report of the working group's

findings and recommendations is due to the Legislature no later than 20 days prior to the convening of the regular session of 2016. We believe that until this report is submitted, a change in the current TAT distribution would be premature.

ALAN M. ARAKAWA  
MAYOR



200 South High Street  
Wailuku, Hawai'i 96793-2155  
Telephone (808) 270-7855  
Fax (808) 270-7870  
e-mail: mayors.office@mauicounty.gov

## OFFICE OF THE MAYOR

Ke'ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

### TESTIMONY OF ALAN ARAKAWA, MAYOR COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON FINANCE

Thursday, February 26, 2015  
3:00 p.m.  
Conference Room 308

#### HB 197 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Honorable Sylvia Luke, Chair  
Honorable Scott Y. Nishimoto, Vice Chair  
Honorable Members of the House Committee on Finance

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Thank you for this opportunity to offer comments on HB 197 relating to Transient Accommodations Tax (“TAT”). For reasons provided herein-below, I feel it would be prudent to allow the “State-County Functions Working Group” to complete its work and that decision-making on TAT measures be **deferred** until the Working Group’s findings and recommendations can be considered.

The counties have a long history of fighting for what we consider to be our fair share of TAT from the state. Each year, the Mayors of each county return to the legislature to argue our case, believing that the TAT revenue - the second largest source of revenue for the counties after property taxes - was slowly and surely being usurped from us via lowered percentages, caps, etc.

However, Act 174, Session Laws of Hawaii (SLH) 2014, created the “State-County Functions Working Group”. This 13-member working group, led by Working Group Chair Simeon Acoba, is 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.

Luke, Chair, Finance Committee  
HB 197  
Testimony of Mayor Arakawa  
February 26, 2015  
Page 2 of 2

By memorandum dated December 18, 2014, the Working Group submitted to the Honorable Joe Souki, Speaker of the House of Representatives, and its members, an interim report summarizing its activities of 2014 and its plans for 2015. A final report, which is to include the Working Group's findings and recommendations, is scheduled to be submitted prior to the 2016 Regular Session.

Based upon the above, I feel it would be prudent to allow the Working Group to continue its work, and that decision-making on TAT measures **be deferred** until the Working Group's findings and recommendations can be considered.



Hawai'i Convention Center  
1801 Kalakaua Avenue, Honolulu, Hawai'i 96815  
kelepona tel 808 973 2255  
kelepa'i fax 808 973 2253  
kahua pa'a web hawaii tourismauthority.org

**David Y. Ige**  
*Governor*

**Ronald Williams**  
*Chief Executive Officer*

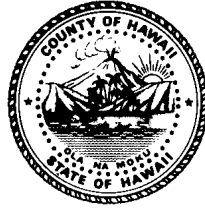
Testimony of  
**Ronald Williams**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**H.B. No. 197, H.D.1**  
**Relating to the Transient Accommodations Tax**  
House Committee on Finance  
Thursday, February 26, 2015  
3:00 p.m.  
Conference Room 308

The Hawaii Tourism Authority offers the following comments on H.B. 197, H.D.1, which proposes to restore the allocation of transient accommodations tax (TAT) revenues to the counties to 44.8 percent.

In 2014, the Legislature established a state-county working group to submit recommendations on the appropriate allocation of TAT revenues between the State and counties that properly reflects the duties and responsibilities relating to the provision of public services. We feel, therefore, that rather than make changes to the allocation of TAT revenues, the working group be given the time to do their analysis and submit their report to the Legislature.

Mahalo for the opportunity to offer these comments.

DRU MAMO KANUHA  
Council Chair  
District 7 – Central Kona



PHONE: (808) 323-4267  
FAX: (808) 329-4786  
EMAIL: [dkanuha@co.hawaii.hi.us](mailto:dkanuha@co.hawaii.hi.us)

## HAWAI'I COUNTY COUNCIL

West Hawai'i Civic Center, Bldg. A, 74-5044 Ane Keohokālole Highway, Kailua-Kona, Hawai'i 96740

February 25, 2015

TO: The Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Dru Mamo Kanuha, Council Chair

SUBJECT: **HEARING OF FEBRUARY 26, 2015; TESTIMONY IN SUPPORT OF HB 197 HD1, RELATING TO TRANSIENT TAX ACCOMMODATIONS**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to remove the current dollar amount cap on transient accommodations tax revenues to be distributed to the counties and restores the counties' share of the TAT revenue to 44.8 per cent.

Local governments bear a significant responsibility for providing a wide array of services and infrastructure necessary to support a vibrant visitor industry. It is the counties that provide water and sewer service; police, fire and ocean safety protection; development and upkeep of most roads; and park development and maintenance - all of which are used to provide visitors with a quality experience.

Along with our property taxes, TAT distribution provides critical support for visitor-related infrastructure and operating expenses. It is for these reasons that I support a removal of the cap and the return of the established 44.8 per cent share of TAT revenue to the counties.



Council Chair  
Mike White

Vice-Chair  
Don S. Guzman

Presiding Officer Pro Tempore  
Michael P. Victorino

Councilmembers  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Don Couch  
Stacy Crivello  
Riki Hokama



Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
www.MauiCounty.us

February 25, 2015

TO: The Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Mike White  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 26, 2015; TESTIMONY IN SUPPORT OF  
HB 197 HD 1, RELATING TO TRANSIENT ACCOMODATIONS TAX**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to amend the amount of transient accommodations tax revenues allocated to the counties from a specified sum, back to 44.8 percent of TAT revenues collected.

This measure is in the Hawaii State Association of Counties Legislative Package; therefore, I offer this testimony on behalf of the Maui County Council.

In addition to serving as chair of the Maui County Council, this testimony is also informed by my visitor industry experience as general manager of the Ka'anapali Beach Hotel for 29 years, and through my service as a state legislator from 1993 to 1998.

I support this measure for the following reasons:

1. The TAT cap was understood to be a temporary measure to assist the State with a budget shortfall because of a 9.8 percent drop in tax revenues in 2009. Beginning in 2010, the State's revenue collections began to recover.

In July 2011, the State capped the counties' share of the TAT at a time when the counties' property values had dropped significantly, which resulted in declining property tax collections.

Since this no longer appears to be a temporary measure, it is critical for the State to revisit the distribution ratios to address the negative impacts to counties'. As shown in the following chart, the State has increased its share of the TAT distribution by \$179 million since 2007, while TAT collections have increased by only \$170 million during the same period:

	<b>TAT Received</b>		<b>Change</b>	
	2007	2014	\$	%
Convention Center	\$38.9M	\$33.0M	<b>-\$5.9M</b>	<b>-15.2%</b>
Tourism Special Fund	\$76.9M	\$71.0M	<b>-\$5.9M</b>	<b>-7.7%</b>
Oahu	\$44.4M	\$45.4M	<b>\$1.0M</b>	<b>2.2%</b>
Maui	\$23.0M	\$23.5M	<b>\$0.5M</b>	<b>2.2%</b>
Hawaii	\$18.7M	\$19.2M	<b>\$0.4M</b>	<b>2.2%</b>
Kauai	\$14.6M	\$14.9M	<b>\$0.3M</b>	<b>2.2%</b>
<i>State of Hawaii</i>	<i>\$8.3M</i>	<i>\$188.2M</i>	<b><i>\$179.9M</i></b>	<b><i>2161.7%</i></b>

Effectively, **the State of Hawaii has increased its distribution by 2161.7 percent**, while the *counties' were increased by a meager 2.2 percent*. Both the Convention Center and Tourism Special Fund are receiving significantly less than in previous years.

- Local governments bear a significant responsibility for providing a wide-array of services and infrastructure necessary to support a vibrant visitor industry. For that reason, hotel room taxes like the TAT are established as municipal or county taxes throughout the nation.

While the State has taken a greater share of the TAT for itself, the cost of core services provided to our residents and visitors have continued to increase. On average, costs for core services in Maui County from 2007 to 2014, **increased 33 percent** or around \$27 million, yet Maui County has only received an increase in TAT revenue of \$508,623 or 2.2 percent over the same period.

	<b>Cost increases</b>		<b>Change</b>	
	2007	2014	\$	%
Fire	\$21.9M	\$29.9M	<b>\$7.9M</b>	<b>36.1%</b>
Parks	\$23.7M	\$29.9M	<b>\$6.2M</b>	<b>26.5%</b>
Police	\$37.9M	\$50.5M	<b>\$13.1M</b>	<b>35.3%</b>

It is often stated that counties should increase their property tax rates. *We have done exactly that* in response to declining property values. Maui County has *reduced* exemptions and *increased* tax rates over the last five years. The result is an **increase of 29 percent** in the effective tax rate per \$1,000 of property value. Along with our property taxes, the TAT distribution provides critical support for visitor-related infrastructure and operating expenses.

Council Chair  
Mike White

Vice-Chair  
Don S. Guzman

Presiding Officer Pro Tempore  
Michael P. Victorino

Councilmembers  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Don Couch  
Stacy Crivello  
Riki Hokama



Director of Council Services  
David M. Raatz, Jr., Esq.

## COUNTY COUNCIL

COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 25, 2015

TO: Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Robert Carroll  
Councilmember, East Maui

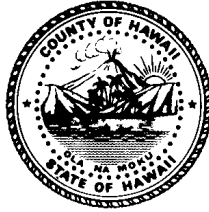
A handwritten signature in cursive script that reads "Robert Carroll".

DATE: Thursday, February 26, 2015

SUBJECT: **SUPPORT OF HB 197 H.D. 1, RELATING TO TRANSIENT  
ACCOMMODATIONS TAX**

I support HB 197 HD1 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to support this measure.

**Karen Eoff**  
Council Member, N. Kona  
Chair, Finance Committee



Phone: (808) 323-4280  
Fax: (808) 329-4786  
Email: keoff@hawaiicounty.gov

## HAWAI'I COUNTY COUNCIL

County of Hawai'i  
West Hawai'i Civic Center, Bldg. A  
74-5044 Ane Keohokalole Hwy.  
Kailua-Kona, Hawai'i 96740

February 25, 2015

House Committee on Finance Email: [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)  
Representative Sylvia Luke, Chair Email: [repluke@capitol.hawaii.gov](mailto:repluke@capitol.hawaii.gov)  
Representative Scott Y. Nishimoto, Vice Chair Email: [repnishimoto@capitol.hawaii.gov](mailto:repnishimoto@capitol.hawaii.gov)

Re: Testimony Supporting HB197, HD1, Relating To Transient Accommodations Tax  
Hearing: February 26, 2015, 3:00 p.m., Room 308

Dear Representatives:

On behalf of myself and the constituents of Council District 8 in North Kona, I would like to express support of above referenced bill, and submit a brief testimony as follows:

This bill amends the amount of transient accommodations tax revenue allocated to each county from a specified sum to a percentage of revenue collected. These funds are to address visitor industry impacts on county services and tourism related infrastructure which is beneficial to our island.

Hawai'i County's share of the tax will provide for improvement in budgeting and planning as well as our efforts to heighten visitor experiences.

I strongly urge the enactment of HB197, HD1. Thank you for your time and consideration.

Sincerely,

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KAREN EOFF, Council Member  
District 8, North Kona

KE.wpb

*Serving the Interests of the People of Our Island  
Hawai'i County Is an Equal Opportunity Provider And Employer*

**COUNTY COUNCIL**

Mel Rapozo, Chair  
Ross Kagawa, Vice Chair  
Mason K. Chock  
Gary L. Hooser  
Arryl Kaneshiro  
KipuKai Kualii  
JoAnn A. Yukimura



**OFFICE OF THE COUNTY CLERK**

Ricky Watanabe, County Clerk  
Jade K. Fountain-Tanigawa, Deputy County Clerk

Telephone (808) 241-4188  
Fax (808) 241-6349  
Email cokcouncil@kauai.gov

**Council Services Division**  
4396 Rice Street, Suite 209  
Lihue, Kauai, Hawaii 96766

February 24, 2015

**TESTIMONY OF MEL RAPOZO  
COUNCIL CHAIR, KAUAI COUNTY COUNCIL  
ON**

**HB 197, HD 1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**  
Committee on Finance  
Thursday, February 26, 2015  
3:00 p.m.  
Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to submit comments on HB 197, HD 1, Relating to the Transient Accommodations Tax (TAT). My testimony is submitted in my individual capacity as the Council Chair of the Kauai County Council.

HB 197, HD 1 amends the amount of TAT revenues allocated to the Counties from a specified sum to a percentage of the revenues collected for the Counties to address visitor industry impacts on County services and tourism-related infrastructure.

Promoting tourism in our islands and supporting tourism related activities are of great importance for our economy, as the visitor industry is considered one of the largest industries on Kauai. However, it is important to note that other County government services such as public safety, parks maintenance, and public works are provided for visitors as well.

On Kauai, visitors comprise of approximately 21% of the total population each day. According to the Kauai Fire Department, 85% of ocean rescues, 72.74% of our flight operations, and 20.35% of all other calls for service were attributed to visitors.

Prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawaii (SLH) 2011, and then made permanent by Act 161, SLH 2013. It was last year that the State increased the cap to \$103 million. However, the Counties are still losing millions of dollars revenue annually, and is evident in the tremendous increase in TAT collections each year.

For Fiscal Year 2014-2015, the amount of TAT revenues allocated for Kauai is \$14,935,000, which is approximately thirteen percent (13%) of our General Fund budget. This allocation supports essential services provided by our County, which does include grants for tourism related activities. Because the TAT funds are

Chair Luke and Members of the Committee  
Re: HB 197, HD 1, Relating to the Transient Accommodations Tax  
February 24, 2015  
Page 2

deposited into the County's General Fund, this Bill will require the Counties to develop a new system to account for these funds.

Restricting the use of TAT revenues received will hinder the Counties ability to fund the much needed government services for our islands. This will be an additional challenge for the Counties who are already dealing with the substantial collective bargaining increases that were approved recently for both the Fire and Police Departments. If the proper resources are not available to flexible fund these services, the Counties may need to resort to increasing fees and/or Real Property Taxes.

I understand that the State formed a State-County Functions Working Group to evaluate the distribution of the TAT revenues. However, to support the continuance of these vital public services, I respectfully ask this Committee to amend this measure by removing the language restricting the use of the funds. I strongly support your efforts to remove the capped dollar amount and restoring the previous percentage allocation that was distributed to the Counties.

Thank you for allowing me to provide comments on this measure. For the reasons stated above, I strongly encourage the House Committee on Finance to amend this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mel Rapozo', with a long horizontal flourish extending to the right.

MEL RAPOZO  
Council Chair, Kaua'i County Council

**COUNTY COUNCIL**

Mel Rapozo, Chair  
Ross Kagawa, Vice Chair  
Mason K. Chock  
Gary L. Hooser  
Arryl Kaneshiro  
KipuKai Kualii  
JoAnn A. Yukimura



**OFFICE OF THE COUNTY CLERK**

Ricky Watanabe, County Clerk  
Jade K. Fountain-Tanigawa, Deputy County Clerk

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Email [cokcouncil@kauai.gov](mailto:cokcouncil@kauai.gov)

**Council Services Division**  
4396 Rice Street, Suite 209  
Lihu'e, Kaua'i, Hawai'i 96766

February 24, 2015

**TESTIMONY OF KIPUKAI KUALI'I  
COUNCILMEMBER, KAUAI COUNTY COUNCIL  
ON**

**HB 197, HD 1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Committee on Finance

Thursday, February 26, 2015

3:00 p.m.

Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to submit comments on HB 197, HD 1, Relating to the Transient Accommodations Tax (TAT). My testimony is submitted in my capacity as the Economic Development & Intergovernmental Relations Committee Chair and as an individual Councilmember of the Kaua'i County Council.

HB 197, HD 1 amends the amount of TAT revenues allocated to the Counties from a specified sum to a percentage of the revenues collected for the Counties to address visitor industry impacts on County services and tourism-related infrastructure.

Kaua'i is a unique place and attracts many visitors annually. Each day, visitors comprise of approximately twenty one percent (21%) of the total population. The visitor industry is considered one of the largest industries on Kaua'i, and promoting tourism and tourism related activities in our islands are of great importance for our economy.

It is important to note that the County also provides public safety, parks maintenance, and public work services for visitors as well. Restricting the use of TAT revenues received will hinder the Counties ability to fund much needed government services for our islands. For Fiscal Year 2014-2015, the amount of TAT revenues allocated for Kaua'i is \$14,935,000, which is approximately thirteen percent (13%) of our General Fund budget. This allocation supports essential services provided by our County, which does include grants for tourism related activities.

If we are prohibited from using TAT revenue for other services, the Counties will need to consider increasing fees and/or Real Property Taxes significantly to cover these expenses. This will be an additional challenge for the Counties who are already dealing with the substantial collective bargaining increases that were recently approved for both Fire and Police Department personnel.

AN EQUAL OPPORTUNITY EMPLOYER

Chair Luke and Members of the Committee

Re: HB 197, HD 1, Relating to the Transient Accommodations Tax

February 24, 2015

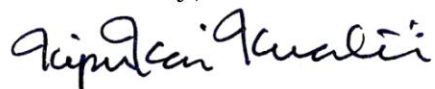
Page 2

Furthermore, prior to 2011, the Counties were receiving 44.8% of the revenues collected for TAT. It was then capped at \$93 million, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011, and then made permanent by Act 161, SLH 2013. It was last year that the State increased the cap to \$103 million. However, the Counties are still losing millions of dollars revenue annually, and is evident in the tremendous increase in TAT collections each year.

To support the continuance of these vital public services, I respectfully ask the House Committee on Finance to support this measure to restore the Counties allocation of the TAT to the level it was prior to the cap being in place. Additionally, I ask the Committee to remove the language restricting the Counties ability to use these funds.

Thank you for allowing me to provide comments on this measure. For the reasons stated above, I strongly encourage the House Committee on Finance to amend this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

A handwritten signature in black ink, appearing to read "Kipukai Kualiti". The signature is fluid and cursive, written in a dark ink on a white background.

KIPUKAI KUALITI

Councilmember, Kaua'i County Council



DENNIS "FRESH" ONISHI  
Council Member  
District 3



PHONE: (808) 961-8396  
FAX: (808) 961-8912  
EMAIL: [donishi@co.hawaii.hi.us](mailto:donishi@co.hawaii.hi.us)

**HAWAI'I COUNTY COUNCIL**  
25 Aupuni Street, Hilo, Hawai'i 96720

February 25, 2014,

The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Dear Chair Luke and Members of the Committee,

Thank you for the opportunity to provide testimony strongly supporting House Bill No. 197, which amends the amount of transient accommodations tax revenues allocated to the counties from a specified sum to a percentage of the revenues collected.

According to Conference Committee Report No. 207 (1990), the purpose of Act 185 was to provide a more equitable method of sharing state revenues with the counties, rather than continuing with the system that existed at the time whereby the counties requested financial assistance through grants-in-aid from the State.

The counties' share of the tax is a stabilizing force for county finances, providing for improved budgeting and planning as well as ongoing efforts for county government to enhance visitor satisfaction.

Approving House Bill No. 197 would be one the fairest ways for the counties to have a share in the State's economic recovery.

Thank you for your consideration and the opportunity to provide testimony in support of this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Onishi".

Dennis "Fresh" Onishi  
Hawai'i County Council Member

Council Chair  
Mike White

Vice-Chair  
Don S. Guzman

Presiding Officer Pro Tempore  
Michael P. Victorino

Councilmembers  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Don Couch  
Stacy Crivello  
Riki Hokama



Director of Council Services  
David M. Raatz, Jr., Esq.

COUNTY COUNCIL  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 25, 2015

TO: Honorable Tom Brower, Chair  
House Committee on Tourism

Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Councilmember Gladys C. Baisa

A handwritten signature in black ink that reads "Gladys C. Baisa".

DATE: February 26, 2015

SUBJECT: SUPPORT OF HB 197 H.D. 1, RELATING TO THE TRANSIENT  
ACCOMMODATIONS TAX

I support HB 197 HD1, for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to support this measure.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to counties

BILL NUMBER: HB 197, HD-1

INTRODUCED BY: House Committee on Tourism

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(3) to provide that transient accommodations tax (TAT) revenues shall be distributed to the counties on a percentage basis of 44.8% rather than using a fixed amount. The counties shall use the revenues to address the visitor industry impacts on county services and tourism-related infrastructure.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature in Act 103, SLH 2011, due to the dire financial condition of the state at the time, limited the distribution of TAT revenues to the counties at \$93 million, with the residual TAT revenue being deposited into the state general fund. Although Act 103 provided that the \$93 million limitation was to sunset on June 30, 2015, the legislature in Act 161, SLH 2013, changed the distribution of TAT revenue from a percentage basis to a specific dollar amount and not only left the \$93 million limit of TAT revenues distributed to the counties, but made it (and the 9.25% TAT rate) permanent by repealing the June 30, 2015 sunset date. In 2014, the legislature by Act 174 provided that the counties will receive \$103 million in fiscal 2015 and fiscal 2016, and \$93 million in fiscal 2017 and thereafter, pending the report of a blue-ribbon panel that was to study the county impact and render its final report before the opening of the 2016 legislature.

The blue-ribbon panel has not yet completed its work. At best this measure is premature.

In their testimony to the prior committees last year, the counties argued that they wanted a more stable revenue base. Well, as one representative pointed out, a fixed dollar amount per year is stable. What the counties really want is more money, and a lot of it.

What this proposal underscores is the fact that county governments have grown well beyond their means and are searching for more available revenue. The counties have justified their share of the TAT by rationalizing that the funds go to pay for the impact visitors have on county facilities and services; however, at the same time all four counties have managed to impose much higher tax rates on hotel/resort real property and in one case a special rate on resort time share property.

The search for more and higher taxes has to stop somewhere. Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 2/14/15



**TESTIMONY IN SUPPORT OF HB197 HD1  
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

HOUSE COMMITTEE ON FINANCE

Hawaii State Capitol, Conference Room 308  
February 26, 2015  
3:00 P.M.

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee,

The Maui Chamber of Commerce **supports** HB197 HD1 which amends the amount of Transient Accommodations Tax (TAT) revenues allocated to the Counties from a specified sum to a 44.8 percent.

The State has increased its share of the TAT distribution significantly since 2007, but the Counties are not receiving their fair share of this revenue. We feel that the Counties should be getting a much higher amount of the TAT revenue and that the cap should be lifted. These funds are necessary for improving our parks, roadways, and emergency and other services that benefit residents and visitors alike.

We understand that the State formed a State-County Functions Working Group to evaluate the distribution of the TAT revenues. We look forward to seeing these recommendations and hope they support the Counties receiving their fair share of the TAT revenue as well, but we respectfully ask that the House Committee on Finance approve HB197 HD1.

Thank you for the opportunity to testify.

Sincerely,

Pamela Tumpap  
President



75-5737 Kuakini Hwy. Suite 208  
Kailua-Kona, HI 96740  
Phone: 329-1758 Fax: 329-8564  
www.Kona-Kohala.com info@kona-kohala.com

Testimony to the House Committee on Finance  
Thursday, February 26, 2015  
3 p.m.  
Conference Room 308, State Capitol

Re: HB197 HD1 – Relating to the Transient Accommodations Tax

Aloha Chair Luke, Vice Chair Nishimoto and Members of this Committee:

My name is Tracey Fosso, and I am the Board Chair of the Kona-Kohala Chamber of Commerce (KKCC). KKCC represents over 500 business members and is the leading business advocacy organization on the west side of Hawai'i Island. KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitors alike.

We support HB197 HD1 as its purpose is to better assist the Counties with tourism and tourism-related services by removing the current dollar amount cap and replacing it with a percentage of transient accommodations taxes collected.

We understand the current cap, established in 2011 with Act 103 and set at \$93 million, was created due to falling revenues and tourism numbers. However, the original intent was this was to be a temporary measure. Economic times now support return of the original 44.8 percent of TAT revenues collected to be distributed to the Counties.

We all agree tourism is our main economic driver. We also know there is an impact on our local resources that must be managed and maintained. Fire, police, beaches and parks, roads and infrastructure all contribute to the satisfaction rating of the visitor experience. The Counties play an important role in visitor satisfaction and these dollars go a long way in improving those numbers.

We support HB197 HD1 and ask that you support it as well.

Mahalo for the opportunity to submit testimony.

Sincerely,

A handwritten signature in cursive script that reads 'Tracey Fosso'.

Tracey Fosso  
Board Chair



2/25/2015

Testimony to the House Committee on Finance  
Thursday, February 26, 2015  
3 p.m.  
Conference Room 308, State Capitol

Re: HB197 HD1 – Relating to the Transient Accommodations Tax

Aloha Chair Luke, Vice Chair Nishimoto and Members of this Committee:

I support HB197 HD1

Mahalo for your support in helping get this bill passed.

A handwritten signature in black ink, appearing to read "Mattson C. Davis". The signature is stylized with a large, sweeping initial "M" and a series of vertical strokes for the letters "attson".

Mattson C. Davis

**finance8-Melanie**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2015 8:22 AM  
**To:** FINTestimony  
**Cc:** klcerf@hawaii.edu  
**Subject:** \*Submitted testimony for HB197 on Feb 26, 2015 15:00PM\*

**HB197**

Submitted on: 2/25/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kei-Lin Cerf	Individual	Support	No

Comments:

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**finance8-Melanie**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2015 12:03 PM  
**To:** FINTestimony  
**Cc:** stacy.crivello@mauicounty.us  
**Subject:** \*Submitted testimony for HB197 on Feb 26, 2015 15:00PM\*

**HB197**

Submitted on: 2/25/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Councilmember Stacy Helm Crivello	Individual	Support	No

Comments:

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**FIN-Jo**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2015 9:47 AM  
**To:** FINTestimony  
**Cc:** porter@devriespc.com  
**Subject:** Submitted testimony for HB197 on Feb 26, 2015 15:00PM

**HB197**

Submitted on: 2/25/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
J Porter DeVries	Individual	Support	No

Comments: Transient Accommodations Tax should help to support the infrastructure and services that the tourism industry requires. We are all impacted by tourism and this tax should help to offset those costs. This tax ought to be allocated based upon its source, with portions going to statewide agencies that support the industry as a whole. Our roads, infrastructure, and service personnel need the financial support to adequately address the needs of tourism. By neglecting these needs and limiting their funding, we are creating a less tourist-friendly environment. Because tourism is so important to our economy, we must adequately fund the necessary infrastructure and services that support it.

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**FIN-Jo**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2015 11:13 AM  
**To:** FINTestimony  
**Cc:** mwille@co.hawaii.hi.us  
**Subject:** Submitted testimony for HB197 on Feb 26, 2015 15:00PM

**HB197**

Submitted on: 2/25/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Margaret Wille	Hawaii County Council Dist 9	Support	Yes

Comments: I urge the House Finance Committee to pass Bill 197 in order to remove the cap placed on the counties share of the TAT revenues. Removal of the cap was promised by state legislators when the economy improved. Where is the trust between the state and counties? Allowing the Counties to receive a percentage increases the incentive to bring in more TAT revenue by providing better and better county services for tourists. If the cap remains in place - the key incentive is removed. The TAT was originally designated for the counties with 95% going to the Counties and a 5% administrative fee to the State... it is time for the state to reckon with how to raise whatever revenue is needed without taking from the Counties share of the TAT revenues. Thank you for your consideration. Margaret Wille Councilmember County of Hawaii

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Testimony to the House Committee on Finance  
Thursday, February 26, 2015 3 p.m.  
Conference Room 308, State Capitol

Re: HB197 HD1 – Relating to the Transient Accommodations Tax

Aloha Chair Luke, Vice Chair Nishimoto and Members of this Committee

My name is Tina Clothier, and I am a 34 year Hawaii Island resident.

I am writing in support of HB197 HD1 as its purpose is to better assist the Counties with tourism and tourism-related services by removing the current dollar amount cap and replacing it with a percentage of transient accommodations taxes collected.

I understand the current cap established in 2011 with Act 103 and set at \$93 million, was created due to falling revenues and tourism numbers. However, the original intent was this was to be a temporary measure. Economic times now support return of the original 44.8 percent of TAT revenues collected to be distributed to the Counties.

I believe that tourism is our main economic driver. I also know there is an impact on our local resources that must be managed and maintained. Fire, police, beaches and parks, roads and infrastructure all contribute to the satisfaction rating of the visitor experience. The Counties play an important role in visitor satisfaction and these dollars go a long way in improving those numbers.

I support HB197 HD1 and ask that you support it as well.

Mahalo for the opportunity to submit testimony.

Sincerely,



Tina Clothier  
75-358 Hoene St.  
Kailua-Kona, HI 96740

**FIN-Jo**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 25, 2015 9:17 AM  
**To:** FINTestimony  
**Cc:** abircher@me.com  
**Subject:** Submitted testimony for HB197 on Feb 26, 2015 15:00PM

**HB197**

Submitted on: 2/25/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Amy Bircher	Individual	Support	No

Comments: Visitors use County roads and facilities. I believe the Counties should receive more income from this revenue source to maintain the roads facilities.

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Nancy Sakamoto  
77-361 Nohealani St.  
Kailua-Kona, Hawaii 96740

February 25, 2015

Testimony to the House Committee on Finance  
Thursday, February 26, 2015  
3 p.m.  
Conference Room 308, State Capitol

Re: HB197 HD1 – Relating to the Transient Accommodations Tax

Aloha Chair Luke, Vice Chair Nishimoto and Members of this Committee:

My name is Nancy Sakamoto and I am a commercial real estate manager with CBRE, Inc., a member of the Board of Directors and Chairperson of the Placemaking Committee with the Kailua Village Business Improvement District, and volunteer my time to support the restoration of Kailua's iconic Mokuaikaia Church, as well as a 52 year resident of Kailua-Kona and counting, in Kona on the Big Island of Hawaii.

Most of my family and friends work within the visitor industry and no doubt realize that tourism is the main economic means of support on our Island. I fully support HB197 HD1 as its purpose is to help Counties to fund the necessary services such as fire, police, maintenance and creation of parks, roads and other services that our local families need and to enhance the overall visitor experience to be a safe and memorable one of our island paradise. It is amazing to me that the visitors may actually utilize the parks and other supporting services more than our local families. I have come to realize this every time I host returning family members or friends on vacations to our island as we end up at places that I rarely get the time to go and see.

It is my understanding that the current cap, established in 2011 with ACT 103 was created due to the falling revenues and tourism, however, this was a temporary measure and now the increase in tourism supports the return of the original percentage of TAT revenues collected to be distributed to the counties so that they can properly manage and improve the infrastructure for all, visitors and residents alike.

I ask that you support to approve HB197 HD1 to remove the current dollar amount cap and replacing it with a percentage of transient accommodations taxes collected.

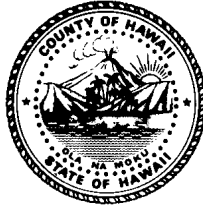
Mahalo for the opportunity to submit my testimony.



Nancy Sakamoto

**LATE**

*Maile Medeiros David*  
Council District 6  
Portion N. S. Kona/Ka'ū /Volcano



Phone: (808) 323-4277  
Fax: (808) 329-4786  
Email: [maile.david@hawaiicounty.gov](mailto:maile.david@hawaiicounty.gov)

## HAWAI'I COUNTY COUNCIL

*County of Hawai'i*  
West Hawai'i Civic Center, Bldg. A  
74-5044 Ane Keohokalole Hwy.  
Kailua-Kona, Hawai'i 96740

February 25, 2015

House Committee on Finance  
Representative Sylvia Luke, Chair

Representative Scott Y. Nishimoto, Vice Chair

Email: [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

Email: [repluke@capitol.hawaii.gov](mailto:repluke@capitol.hawaii.gov)

Email: [repnishimoto@capitol.hawaii.gov](mailto:repnishimoto@capitol.hawaii.gov)

Re: Testimony Supporting HB197, HD1, Relating To Transient Accommodations Tax  
Hearing: February 26, 2015, 3:00 p.m., Room 308

Honorable Representatives Luke and Nishimoto:

On behalf of myself and the constituents of Council District 6, South Kona, I would like to express support of above referenced bill, and submit a brief testimony as follows:

I support the bill to amend the amount of transient accommodation tax revenue to the counties be allocated from a specified sum to a percentage of revenue collected. Hawai'i County's share of the transient accommodation tax will enhance our counties' budgeting and planning, and heighten visitor experiences.

Hawai'i County's share of the tax will provide for much needed revenue to address our infrastructure and services to better serve our citizens and our tourist industry.

Enactment of HB197, HD1 is strongly supported. Mahalo for your consideration.

Very truly yours,

Maile David

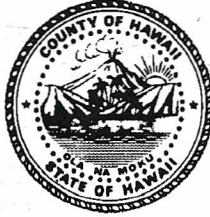
Maile David, Councilmember  
Hawai'i County Council  
Council District 6

MD/db

*Serving the Interests of the People of Our Island*  
*Hawai'i County Is an Equal Opportunity Provider And Employer*

**VALERIE T. POINDEXTER**

*Council Vice Chair  
Council District 1*



Phone: (808) 961-8828  
Fax: (808) 961-8912  
Email: [vpindexter@co.hawaii.hi.us](mailto:vpindexter@co.hawaii.hi.us)

**HAWAI'I COUNTY COUNCIL**

*County of Hawai'i  
Hawai'i County Building  
25 Aupuni Street, Suite 1402  
Hilo, Hawai'i 96720*

**LATE**

February 25, 2015

House Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair

Email: [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)  
Email: [repluke@capitol.hawaii.gov](mailto:repluke@capitol.hawaii.gov)  
Email: [repnishimoto@capitol.hawaii.gov](mailto:repnishimoto@capitol.hawaii.gov)

Subject: Testimony Supporting HB197, HD1, Relating To Transient Accommodations Tax  
Hearing: February 26, 2015, 3:00 p.m., Room 308

Dear Representatives:

On behalf of myself and the constituents of Council District 1 in Hamakua, County of Hawai'i, I would like to express our support of HB197, HD1, and submit a brief testimony as follows:

This bill amends the amount of transient accommodations tax revenue allocated to each county from a specified sum to a percentage of revenue collected. These funds are to address visitor industry impacts on county services and tourism related infrastructure which is beneficial to our island.

Hawai'i County's share of the tax will provide for improvement in budgeting and planning as well as our efforts to heighten visitor experiences.

I strongly support and urge the enactment of HB197, HD1. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Valerie T. Poindexter".

Valerie T. Poindexter, Council Member  
District 1, Hamakua

VP/sc



From: mailinglist@capitol.hawaii.gov  
 Sent: Wednesday, February 25, 2015 8:52 PM  
 To: FINTestimony  
 Cc: cindyinkona@gmail.com  
 Subject: Submitted testimony for HB197 on Feb 26, 2015 15:00PM

**HB197**

Submitted on: 2/25/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Cindy Wild	Individual	Support	No

Comments: I support this bill and feel that the TAT money from our very lucrative West Side should come back to the Big Island to help our infrastructure that lures these high dollar people.

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 Sent: Thursday, February 26, 2015 4:10 AM  
 To: FINTestimony  
 Cc: npheatt@hotmail.com  
 Subject: Submitted testimony for HB197 on Feb 26, 2015 15:00PM

**HB197**

Submitted on: 2/26/2015

Testimony for FIN on Feb 26, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Nan Pheatt	Individual	Comments Only	No

Comments: As the owner of a vacation rental on the Big Island, I am in full support of HB 197 HD1. This bill removes the current dollar amount cap and replaces it with a percentage of TAT collected. The cap was instituted as an emergency measure in 2011 when tourism was weak. Economic times now support return of the original policy of distributing 44.8% of TAT collected to the counties, so they may better address visitors' impacts on services and infrastructure. Return of more TAT dollars to counties will help them bolster beaches, parks, and safety services---all of which contribute to visitor satisfaction. A high level of sustained visitor satisfaction is a major predictor of the future wellbeing of our counties and our state.

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