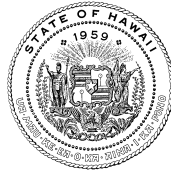


DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2987, S.D. 2, H.D. 1

April 1, 2016
3:00 p.m.

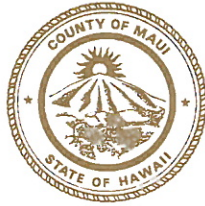
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 2987, S.D. 2, H.D. 1, increases the allocation of transient accommodations tax (TAT) revenues to the counties from \$93 million to \$103 million for FY 17 and beyond. The bill also establishes a State-County Functions Working Group on July 1, 2022, to evaluate the division of duties and responsibilities between the State and counties and to submit a report of its findings and recommendations on the appropriate allocation of TAT revenues to the counties 20 days prior to the convening of the Regular Session of 2023.

The Department of Budget and Finance believes that increasing the county's fixed share of the TAT revenues as proposed in this bill is preferable to the recommendation proposed by the State-County Functions Working Group Report, dated December 2015.

The department also believes that the establishment of a second working group is unnecessary.

ALAN M. ARAKAWA
MAYOR



KEITH A. REGAN
MANAGING DIRECTOR

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

Friday, April 1, 2016
3:00 p.m. - Conference Room 308

SB 2987, SD2, HD1 RELATING TO THE TRANSIENT ACCOMODATIONS TAX

Honorable Rep. Sylvia Luke, Chair
Honorable Members of the House Committee on Finance

Thank you for this opportunity to provide **comments** on SB 2987, SD2, HD1.

As Mayor of Maui County I have been, and continue to be, unified with the Hawaii Council of Mayors (“HCOM”) on this important matter. HCOM has consistently and unanimously supported the recommendations of the State-County Functions Working group, established through Act 174 (SLH 2014).

Accordingly, I respectfully ask that this body consider the position that HCOM has taken and the recommendations of the State-County Functions Working group.

William P. Kenoi
Mayor



Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokālole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

April 1, 2016

The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance
415 South Beretania Street
Hawai'i State Capitol, room 308
Honolulu, Hawai'i 96813

Aloha, Chair Luke and Committee Members:

Mahalo for this opportunity to express our concerns on SB 2987, SD 2, HD 2 RELATING TO TRANSIENT ACCOMMODATIONS TAX.

The hospitality industry is critically important to our state, especially for the thousands of working families that rely on visitors both directly and indirectly for their livelihoods. We thank the Legislature for recognizing the importance of county facilities and services in supporting and enhancing the visitor experience.

While we all share the goal of a vibrant visitor industry, a TAT cap that does not grow with the industry unfairly burdens the counties. The counties' cost to provide services to our visitors is not stagnant. When a visitor calls for law enforcement help, a county police officer responds. When a visitor gets into trouble in the ocean, county lifeguards or firefighters respond. When a visitor uses sewer and water service, those are county services. Visitors travel on county roads, and use county parks. As the visitor count grows, their demands on county resources also grow. The counties' share of TAT should grow with increased tourism demands not remain stagnant.

The State-County Functions Working Group, created by the 2014 Legislature, consisted of representatives from the state, counties, and visitor industry. They evaluated the division of responsibilities between the state and counties relating to the provision of public services, and recommended an allocation of transient accommodations tax revenue that reflects that division. We urge the Legislature to consider and support their recommendations.

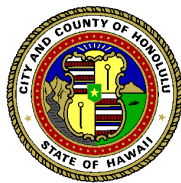
Mahalo for your consideration.

Aloha,

William P. Kenoi
MAYOR

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 * FAX: (808) 768-4242 * INTERNET: www.honolulu.gov



KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE COMMITTEE ON
FINANCE

Friday, April 1, 2016, 3:00 P.M.

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

RE: **COMMENTS** on SB2987, HD1 Relating to the Transient Accommodations Tax

Thank you for the opportunity to provide comments on SB2987, HD1, which (1) Makes permanent the annual \$103,000,000 allocation of Transient Accommodations Tax (TAT) revenues to the counties; and (2) Establishes a State-County Functions Working Group in 2022 to recommend the allocation of TAT revenues between the State and counties based upon the division of duties and responsibilities for the provision of public services.

Although the City and County of Honolulu (City) appreciates making permanent the annual allocation of \$103,000,000 of TAT to the counties, we continue to believe that this does not reflect a proper allocation to the counties, State, and the Tourism Special Fund. Be that as it may, we appreciate the Legislature not decreasing the Counties' annual allocation back to \$93,000,000 as was contemplated in Act 174, SLH 2014 (Act 174).

We ask that you also tie the allocation to an index, such as the Consumer Price Index, until a more appropriate allocation can be established.

The City recommends that the Working Group established in this bill be convened as soon as possible. The bill currently has the group convening on July 1, 2022, which is six years from now. The allocation of the TAT is too important to be put off for so long.

Finally, the City urges that the House be as clear as possible as to the directions to the new Working Group. SB 2987, SD1 uses similar language to that in Act 174. The 2014 Working Group used Act 174 as guidance in its deliberations and that resulted in its final report in December 2015 which was submitted to the Legislature for consideration. If the Legislature would like the new Working Group to produce a final report that is different from the December 2015 report, clearer legislative intent is necessary. The City also asks that the new Working Group consider the revenues available to the various levels of government, not just the expenditures.

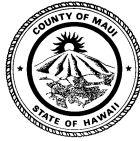
Thank you for the opportunity to provide comments on this important measure.

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

March 31, 2016

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

FROM: Mike White
Council Chair

A handwritten signature in black ink, appearing to read "Mike White", is written over the printed name and title.

SUBJECT: **HEARING OF APRIL 1, 2016; TESTIMONY IN OPPOSITION TO SB 2987
SD 2, HD 1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **opposition** to this measure. The purpose of this bill is to continue the cap on the annual allocation of Transient Accommodations Tax revenue to the counties.

The Maui County Council on February 26, 2016, adopted Resolution 16-15, entitled "URGING THE LEGISLATURE TO PROVIDE THE COUNTIES WITH THE SAME SHARE OF TRANSIENT ACCOMMODATIONS TAX REVENUE AS THE STATE." Therefore, I am providing this testimony on behalf of the Maui County Council.

I am thankful the legislature is considering this measure, so the counties' share of the TAT cap does not revert back to \$93 million.

Fairness dictates however, the counties deserve dramatically more than the \$103 million allocated over the past two fiscal years. An amendment to increase the counties share and remove an arbitrary cap is warranted for the following reasons:

1. A statutorily capped amount of money contradicts the conceptual bases for the TAT, which was established to help the counties fund **visitor-related expenses** based on a **percentage of earned revenue**.
2. Pursuant to Act 185 (1990), 95 percent of the TAT revenue was returned to the counties. The dramatic reallocation of the TAT in 2009 was to help balance the State budget due to the economic downturn. The State increased the TAT and arbitrarily capped the counties' share to help balance its budget, but offered no significant assistance as the counties experienced greater economic hardship in the ensuing years.

3. From Fiscal Year 2007 to FY 2015, the State's annual share of TAT revenue has increased by \$196.6 million, while counties only received an additional \$2.2 million.

State	Counties
2363%	2.2%
\$ 196,647,193	\$2,230,802

4. During the same period, counties have incurred \$170 million in cost increases in fire, police, and park services. County expenditures for tourism-related services continue to rise at a pace far exceeding the distribution

Cost includes operational and salary	FY 2015	Increase
4 Police Departments	\$93.9 M	31.7%
4 Fire Departments	\$60.5 M	41.2%
4 Parks Departments	\$15.9 M	14.4%
Total	\$170.3 M	30.8%

of TAT revenue. This places the burden of paying for visitors services on our local residents. Sound fiscal practices favor a policy that automatically increases the distribution of TAT revenue to the counties at the same rate that revenues grow.

5. The State-County Functions Working Group created under Act 174 (2014) issued a report that found the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. The State has adequate resources to make the adjustment; General Fund revenues are projected to be more than \$7.1 billion for Fiscal Year 2017, \$547 million more than Fiscal Year 2016.
6. The policy for TAT revenue distribution **should again be based on a formula** that returns a set **percentage** of revenue to the counties where it is earned, rather than a capped amount of money. A formula-based policy allows distributions to the counties to increase as visitor numbers grow, without a need to change the statute. A capped-distribution policy gives the wrong impression that returning TAT revenue to the counties is a sort of charitable donation and requires the counties to beg the Legislature for more money as visitor-related expenses grow.

For the foregoing reasons and those outlined in Maui County Council Resolution 16-15, **I urge you to consider amending this measure to provide fairness to the counties by significantly increasing their share of the TAT.**

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

March 31, 2016

TO: Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Stacy Helm Crivello
Councilmember

A handwritten signature in cursive script, appearing to read "Crivello", is written over the printed name of the sender.

DATE: April 1, 2016

SUBJECT: **SB 2987 S.D. 2, H.D. 1, RELATING TO TRANSIENT
ACCOMMODATIONS TAX**

I **oppose SB 2987 SD2, HD1** for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to **oppose** this measure.

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

March 31, 2016

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

FROM: Don Couch
Councilmember, South Maui District

DATE: Friday, April 1, 2016 at 3:00pm

SUBJECT: **TESTIMONY IN OPPOSITION TO SB 2987 SD2 HD1
RELATING TO TRANSIENT ACCOMMODATIONS TAX**

A handwritten signature in black ink, appearing to be "DC", is written over the "FROM" line of the memo.

Thank you for the opportunity to testify in **opposition** to this measure. I provide this testimony as an individual member of the Maui County Council.

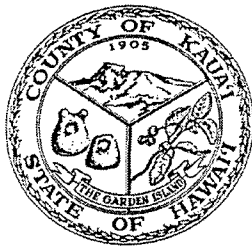
The purpose of this bill is to continue the cap on the annual allocation of Transient Accommodations Tax revenue to the counties.

I am pleased the legislature is considering this measure, as I strongly believe **the bill should be amended to establish a policy for TAT revenue distribution based on a formula that returns a set percentage of revenue to the counties where it is earned, rather than a capped amount of money.**

I concur with and echo the comments and concerns expressed by the Maui County Council Chair, and urge you to **amend the measure to provide fairness to the counties by significantly increasing their share of the TAT.**

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

Jade K. Fountain-Tanigawa, County Clerk
Scott K. Sato, Deputy County Clerk

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

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

March 31, 2016

**TESTIMONY OF MEL RAPOZO
COUNCIL CHAIR, KAUA'I COUNTY COUNCIL
ON**

**SB 2987, SD2, HD1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
House Committee on Finance
Friday, April 1, 2016
3:00 p.m.
Conference Room 308**

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide testimony in opposition to SB 2987, SD2, HD1, Relating to the Transient Accommodations Tax. My testimony is submitted in my capacity as Chair of the Kaua'i County Council.

The State-County Functions Working Group ("Working Group") issued its final report and recommendations to the Legislature in December 2015, after two (2) years of intensive research and hard work. The Working Group recommended an allocation to the counties of 45 percent of the remaining transient accommodations tax (TAT) revenues after adjustments to the Tourism Special Fund. As partners in Hawai'i's governance, it is critical that the State provide a greater share of TAT revenues to the counties, who are responsible for providing essential services to residents and visitors. The collective cost of county services for police, fire, and parks have increased by \$170.3 million since 2007, a 30 percent increase. In comparison, the counties have received only a 2.2 percent increase in TAT revenues over that same period. By unfairly denying TAT revenue to the counties, the State has been effectively requiring residents to pay for the visitors' share of expenses.

For the reasons stated above, I urge the House Committee on Finance to oppose this measure, and to support the Working Group's recommendation of a 45/55 (County/State) split. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

MEL RAPOZO
Council Chair, Kaua'i County Council

AMK:cy

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

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Email cokcouncil@kauai.gov

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

March 31, 2016

**TESTIMONY OF KIPUKAI KUALII
COUNCIL CHAIR, KAUAI COUNTY COUNCIL
ON**

SB 2987, SD2, HD1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
House Committee on Finance
Friday, April 1, 2016
3:00 p.m.
Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide testimony in opposition to SB 2987, SD2, HD1, Relating to the Transient Accommodations Tax. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council, and Chairperson of the Kaua'i County Council's Economic Development & Intergovernmental Relations Committee.

The State-County Functions Working Group ("Working Group") issued its final report and recommendations to the Legislature in December 2015, after two years of intensive research and hard work. The Working Group recommended an allocation to the counties of 45 percent of the remaining transient accommodations tax (TAT) revenues after adjustments to the Tourism Special Fund. As partners in Hawai'i's governance, it is critical that the State provide a greater share of TAT revenues to the counties, who are responsible for providing essential services to residents and visitors. The collective cost of county services for police, fire, and parks have increased by \$170.3 million since 2007, a 30 percent increase. In comparison, the counties have received only a 2.2 percent increase in TAT revenues over that same period. By unfairly denying TAT revenue to the counties, the State has been effectively requiring residents to pay for the visitors' share of expenses.

For the reasons stated above, I urge the House Committee on Finance to oppose this measure, and to support the Working Group's recommendation of a 45/55 (County/State) split. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

KIPUKAI KUALII
Councilmember, Kaua'i County Council

AMK:lc

AN EQUAL OPPORTUNITY EMPLOYER

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Allocations to Counties

BILL NUMBER: SB 2987, HD-1

INTRODUCED BY: House Committee on Tourism

EXECUTIVE SUMMARY: 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 re-evaluate the division of revenue. The counties wanted stable, predictable revenue. They get it in this bill.

BRIEF SUMMARY: Amends HRS section 237D-6.5 to distribute TAT revenues in the following priority order:

- \$1.5 million for the Turtle Bay conservation easement special fund;
- \$26.5 million for the convention center enterprise special fund;
- \$82 million for the tourism special fund;
- \$103 million to be distributed among the counties in specified percentages (subject to sequestration if the counties do not make required contributions to ERS and/or EUTF):
 - Kauai county, 14.5%;
 - Hawaii County, 18.6%;
 - City and County of Honolulu, 44.1%;
 - Maui County, 22.8%; and
- \$3 million to the special land and development fund.
- Any revenues remaining would go to the State general fund.

Establishes a state-county functions working group to be formed on July 1, 2022, similar to that formed by Act 174, SLH 2014. This group shall cease to exist upon the adjournment of the regular legislative session of 2023.

EFFECTIVE DATE: July 1, 2120.

STAFF COMMENTS: In law prior to 2009, the TAT was levied at the rate of 7.25% on most transient accommodations. Once collected, the tax, after satisfying specified earmarks, was distributed 44.8% to the counties. Act 61, SLH 2009, increased the TAT rate to 8.25% between 7/1/09 and 6/30/10 and to 9.25% between 7/1/10 to 6/30/15. Act 161, SLH 2013, made permanent the TAT rate of 9.25% and changed the allocations of TAT from a percentage basis to a specific dollar amount of \$93 million to be shared among the counties.

After the counties complained about their allocations, Act 174, SLH 2014, required a state-county functions working group to be 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. In the meantime, the fixed amount to the counties was increased to \$103 million for fiscal years 2015 and 2016, with the amount to drop back down to \$93 million on July 1, 2016.

The working group submitted a report and recommendation, the latter of which was introduced as HB 1554 and SB 2028 in the current session. This bill rejects that recommendation and keeps the \$103 million cap on the county allocations until 2022, when we try again with another working group.

In several of the hearings in previous years, the counties insisted on having a stable, predictable source of funding. This bill will give them a fixed number for five years or so. Isn't that stable and predictable? Perhaps the moral of the story is to be careful what you wish for.

Digested 3/30/16

Hawai`i State Association of Counties (HSAC)


Counties of Kaua`i, Maui, Hawai`i and City & County of Honolulu

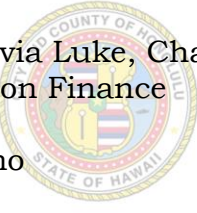
200 S. High Street, Wailuku, Hawaii 96793 (808) 270-7665


www.hicounties.com



March 31, 2016


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

FROM: Michael P. Victorino
HSAC President 

SUBJECT: **HEARING OF APRIL 1, 2016; TESTIMONY IN OPPOSITION TO SB 2987 SD 2 HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX** 

Thank you for the opportunity to testify on behalf of the Hawaii State Association of Counties in **opposition** to this measure. The effect of this measure is to permanently cap the annual allocation of Transient Accommodations Tax revenue to the counties.

HSAC opposes this measure for the following reasons:

1. It is in the best interest of Hawaii residents for the counties to receive a formula-based percentage of the TAT, proportional to growing visitor demands, rather than a capped amount.
2. The State-County Functions Working Group created under Act 174 (2014) conducted a thorough study of the TAT's history and purpose. The Working Group concluded it would be fair for the counties to get 45 percent of available TAT revenue, with the State getting 55 percent. HSAC supports increasing the counties' share of the TAT, as recommended by the Working Group. This measure falls short. 

Mahalo for your consideration.

HSAC:FY2016:16Testimony:SB2987c_mkz

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 31, 2016 3:20 PM
To: FINTestimony
Cc: robert.carroll@mauicounty.us
Subject: Submitted testimony for SB2987 on Apr 1, 2016 15:00PM

SB2987

Submitted on: 3/31/2016

Testimony for FIN on Apr 1, 2016 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
robert carroll	Individual	Oppose	No

Comments: I oppose this measure for the reasons stated in testimony forwarded by HSAC President Victorino and Maui County Chair White. Thank you.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



HAWAI'I LODGING & TOURISM
ASSOCIATION

LATE

Testimony of

Mufi Hannemann
President and CEO
Hawai'i Lodging & Tourism Association

Committee on
Finance

Senate Bill 2987 SD2 HD1: Relating to the Transient Accommodations Tax

Chair Luke, Vice Chair Nishimoto, and members of the Committee on Finance:

Thank you for the opportunity to offer comments on Senate Bill 2987 SD 2 HD 1, which makes permanent the annual \$103,000,000 allocation of transient accommodations tax revenues to the counties. The bill 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.

The Hawai'i Lodging & Tourism Association believes the county governments should receive more from the transient accommodations tax because of the services that they provide to ensure a healthy tourism industry.

Shared TAT revenues are vital because the counties must absorb much of the costs created by community growth and provide the public services enjoyed by resident and visitor alike. These include all forms of public safety, roads, parks and public facilities, water and sewage infrastructure, and public transportation, among them. Oftentimes, the counties are not reimbursed for services that they provide at the request or on behalf of the federal and state governments, particularly in the area of public safety.

The Hawai'i Lodging & Tourism Association recognizes and appreciates the efforts of the county governments in sustaining the visitor industry and we, in turn, continue to support the county governments in their efforts to secure an equitable share of tourism-generated revenue from the Legislature.

Mahalo!

LATE



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

SB 2987 SD 2 HD 1

Relating To The Transient Accommodations Tax

COMMITTEE ON FINANCE

Friday, April 1, 2016, 3:00 pm

Conference Room 308

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

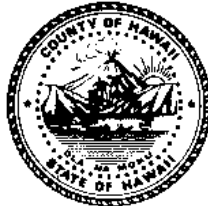
The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 150 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 20,000 local residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA would like to submit comments only for SB 2987, which 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.

Our comments are as follows: 1) We appreciate the House considering making permanent the annual allocation of \$103,000,000 of TAT to the counties however, we ask that both the State and the county allocations should increase or decrease proportionately with increasing or decreasing transient accommodations tax revenues; 2) We would like to see the next Working Group get started sooner than July 1, 2022. The future allocation of the TAT to the counties is too important a discussion to be put off for so long.

Thank you for the opportunity to testify.

Margaret Wille
Council Member
District 9 - North and South Kohala



Phone No. Hilo: (808) 961-8027
Phone No. Waimea: (808) 887-2043
Fax No.: (808) 887-2072
E-Mail: mwille@co.hawaii.hi.us

LATE

HAWAI'I COUNTY COUNCIL

County of Hawai'i

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

*Holomua Center
64-1067 Mamalahoa Highway, Suite C-5
Waimea, Hawai'i 96743*

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

To: Honorable Sylvia Luke and Members, House Finance Committee
Re: SB 2987 Relating to the TAT Position: Strong **OPPOSITION**
Date of hearing: April 1, 2016 3 pm

Please replace the contents of this bill with the contents of the State-Counties (TAT) Working Group's bill SB2028.

I am outraged by SB 2987 – capping the Counties' portion of the TAT revenues at \$103 million. This legislation evidences a total lack of respect for County government.

Yesterday I sat with the County Finance Director reviewing how to improve collection of the TAT and GET from vacation/short term rentals in our County. Our conversation, however, kept coming back to why should the County make an effort to collect additional TAT revenue when, due to the current cap on the Counties allocation of TAT revenues and this legislation's proposed continuation of the cap, **there is no incentive to make better collection of TAT a County priority.**

Not so long ago when the State's economy was tanking (so too the Counties' economies) you – our State legislators – said to the Counties, the State would temporarily usurp most of the TAT revenues and place a low cap the Counties' portion BUT that as soon as the economy was on the upswing that 44.8% percentage (no cap) allocation of the TAT revenues would go back to the Counties. However when the TAT revenues did rebounded, you – our State legislators – instead insisted on setting up the State-County Working Group to determine the proportionate share of tourism related expenditures and accordingly recommend the appropriate allocation of TAT revenue between the State and the Counties. In my view the final recommendation of the TAT Working Group was clearly slanted in favor of the State's interest.... such as including the State earmarks "above the line", in other words, not subject to the allocation formula.

Yet as slanted in favor of the State as is the Working Group's recommendation and report were, unbelievably this SB2987 rebukes that recommendation in favor of retaining the \$103 million cap to be split among the four Counties. I am outraged!! **Please replace the contents of this bill with the contents of the State-Counties (TAT) Working Group's bill SB2028.**

Sincerely,

/s/ Margaret Wille

Margaret Wille, Councilmember District 9 (North and South Kohala)