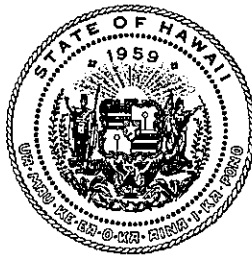


SB408

**Amends amount of
transient
accommodations tax
revenues allocated to
the counties from a
specified sum to a
percentage of the
revenues collected.**



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,
STATE-COUNTY FUNCTIONS WORKING GROUP, ON
SENATE BILL NO. 408,
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

**Senate Committees on Tourism and International Affairs and Public Safety,
Intergovernmental and Military Affairs
February 19, 2015**

Chair Kahele, Chair Espero, and Members of the Committees:

I am Simeon R. Acoba, Chair of the State-County Functions Working Group. Thank you for the opportunity to comment on Senate Bill No. 408, 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 collected.

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:

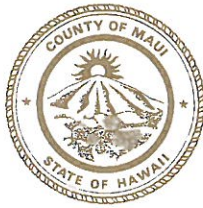
- 1) Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and
- 2) Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax revenues between the State and counties that properly 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 2nd year of the 28th 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 Senate Bill No. 408. I am available for your questions.

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 SENATE COMMITTEE ON TOURISM AND INTERNATIONAL AFFAIRS

and

THE SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND
MILITARY AFFAIRS

Thursday, February 19, 2015

1:15 p.m.

Conference Room 229

SB 408 RELATING TO TRANSIENT ACCOMMODATIONS TAX

Honorable Gilbert Kahele, Chair,
Committee on Tourism & International Affairs
Honorable J. Kalani English, Vice Chair

Honorable Will Espero, Chair,
Committee on Public Safety, Intergovernmental & Military Affairs
Honorable Rosalyn Baker, Vice Chair

and Honorable Members of the Respected Committees

Thank you for this opportunity to offer comments on SB 408 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. We did so 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.

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.

DENNIS "FRESH" ONISHI
Council Member
District 3



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

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

February 17, 2014

The Honorable Gilbert Kahele, Chair
and Members of the Committee on Tourism and International Affairs

The Honorable Will Espero, Chair
and Members of the Committee on Public Safety, Intergovernmental & Military Affairs

Dear Chair Kahele, Chair Espero and Joint Committee Members,

Thank you for the opportunity to provide testimony strongly supporting Senate Bill No. 408, which would amend the amount of transient accommodations tax revenues allocated to the counties from a specified sum to a percentage of the revenues collected.

Speaker Souki said it best in his Opening Day remarks of last year's Legislative Session on January 15, 2014:

"The Transient Accommodations Tax on tourism helps us provide for the main driver of our economic engine. In this strong economy, should we not be thinking about a greater partnership with our counties who provide much of the services that directly support tourism?"

"They are the ones who maintain our roads and parks and provide the law enforcement officers and first responders who serve our visitors as well as our kama'āina. Therefore, let's look at removing the cap on the counties' share of the TAT."

Approving Senate Bill No. 408 would be one of 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".

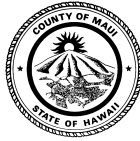
Dennis "Fresh" Onishi
Hawai'i County Council Member

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

February 17, 2015

TO: The Honorable Gilbert Kahele, Chair
Senate Committee on Tourism and International Affairs

The Honorable Will Espero, Chair
Senate Committee on Public Safety, Intergovernmental and Military Affairs

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 18, 2015; TESTIMONY IN SUPPORT OF SB 408, RELATING TO TRANSIENT ACCOMMODATIONS 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:

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

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.

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

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

February 17, 2015

Page 3

\$1,000 of property value. Along with our property taxes, the TAT distribution provides critical support for visitor-related infrastructure and operating expenses.

3. For the neighbor islands, the TAT distribution is particularly important because our economic regrowth continues to lag behind that of Oahu. Additionally, visitors make up a much larger portion of the de facto population. The increase in the cap last year was much appreciated, but ***fairness dictates that more should be done***. It is simply not right for the State to have helped itself to a tax meant to benefit the counties'. With the State receiving 23 times more than in 2007 and the counties' getting an increase of just 2.2 percent, it is only fair and appropriate for more parity and balance in the TAT distribution.

For the foregoing reasons, I **support** this measure.

From: mailinglist@capitol.hawaii.gov
To: [TSI Testimony](#)
Cc: okudara@hawaii.rr.com
Subject: Submitted testimony for SB408 on Feb 19, 2015 13:15PM
Date: Monday, February 16, 2015 12:02:09 PM

SB408

Submitted on: 2/16/2015

Testimony for TSI/PSM on Feb 19, 2015 13:15PM in Conference Room 229

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--------------------------|---------------------------|---------------------------|
| Jon Okudara | Hawaii Tourism Authority | Comments Only | Yes |

Comments: 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.

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 State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

February 18, 2015

TESTIMONY OF MEL RAPOZO
PRESIDENT, HAWAII STATE ASSOCIATION OF COUNTIES
ON
SB 408, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
Committee on Tourism and International Affairs
Committee on Public Safety, Intergovernmental and Military Affairs
Thursday, February 19, 2015
1:15 p.m.
Conference Room 229

Dear Chair Kahele, Chair Espero, and Members of the Committee:

Thank you for this opportunity to submit testimony in strong support for SB 408, Relating to the Transient Accommodations Tax (TAT). My testimony is submitted in my capacity as President of the Hawai'i State Association of Counties (HSAC).

SB 408 is a proposal submitted by HSAC, and has been agreed upon by all four County Councils to be included in the 2015 HSAC Legislative Package. This measure amends the amount of TAT revenues allocated to the Counties from a specified sum to 44.8 percent of the revenues collected under Chapter 237D of the Hawai'i Revised Statutes.

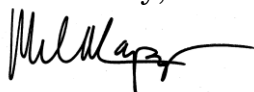
Prior to 2011, the Counties were receiving 44.8 percent of the TAT revenues collected, until the amount was capped at \$93,000,000, pursuant to Act 103, Session Laws of Hawai'i (SLH) 2011. Until recently, the State increased the capped amount to \$103,000,000. However, the Counties are still losing millions of dollars of revenue annually, which is evident in the tremendous increase in the reported TAT collections each year.

Each County allocates their portion of the TAT accordingly to fit the needs of their respective population, by appropriating funds to support essential County government services such as public safety, parks maintenance, and public works. These services are crucial for each island and supports not only residents but visitors as well.

Removing the cap and restoring the percentage amount to 44.8 percent will financially support obligatory costs such as the collective bargaining increases that were approved recently for both the Fire and Police Departments, and to support the continuance of other vital public services.

I understand that the State formed a State-County Functions Working Group to evaluate the distribution of the TAT revenues. However, for the reasons stated above, I respectfully ask the Senate Joint Committee to approve this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,



MEL RAPOZO
HSAC, President

SS:mn

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to counties

BILL NUMBER: SB 408; HB 197; HB 199 (Identical)

INTRODUCED BY: SB by Kim by request; HBs by Souki by request

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.

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.

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.

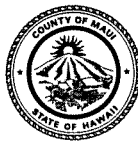
Digested 2/17/15

Council Chair
Mike White

Vice-Chair
Don S. Guzman

Presiding Officer Pro Tempore
Michael P. Victorino

Councilmembers
Gladys C. Baisa
Robert Carroll
Elle Cochran
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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 17, 2015

TO: Honorable Will Espero, Chair
House Committee on Public Safety, Intergovernmental and Military Affairs

FROM: Robert Carroll *Robert Carroll*
Councilmember, East Maui

DATE: Wednesday, February 19, 2015

SUBJECT: **SUPPORT OF SB 408, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

I support SB 408 for the reasons cited in testimony submitted by the Hawaii State Association of Counties President, and urge you to support this measure.