

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
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)

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, TOURISM,
AND TECHNOLOGY, AND PUBLIC SAFETY, INTERGOVERNMENTAL,
AND MILITARY AFFAIRS
ON
HOUSE CONCURRENT RESOLUTION NO. 169

April 13, 2017
2:00 p.m.
Room 414

REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM TO CONVENE AN ECONOMIC DEVELOPMENT AND TAX REFORM
WORKING GROUP TO STUDY, AMONG OTHER THINGS, THE ECONOMIC
OUTCOME OF TRANSFERRING THE AUTHORITY TO TAX REAL PROPERTY BACK
TO THE STATE AND ALLOCATING A PORTION OF GENERAL TAX REVENUES TO
THE COUNTIES

House Concurrent Resolution (HCR) No. 169 requests the Department of
Business, Economic Development and Tourism to convene an economic development
and tax reform working group to study, among other things, the economic outcome of
transferring the authority to tax real property back to the State and allocating a portion of
general excise tax revenues to the counties.

The Department of Budget and Finance offers the following comments on HCR
No. 169. First, under the Hawaii Constitution, the State has total responsibility for many
functions that are performed by or shared by local governments in most other parts of
the United States. These include the public school system, libraries, public welfare, and
jails, etc. The counties' major areas of responsibility and expenditure are for primarily
property-related services, such as police and fire protection, waste disposal, water and

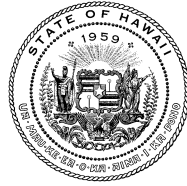
sewer facilities, streets and parks. Because of this division of responsibilities, the Hawaii Constitution appropriately assigns to the counties the exclusive use of real property taxation. Using the property tax to fund State functions and allocating a portion of general excise tax revenues to fund county functions would represent a fundamental departure from the current constitutional structure of functions and revenue sources.

Second, we believe that it would be more appropriate to have the Tax Review Commission (TRC) conduct the review set forth in this resolution. Article VII, Section 3 of the Hawaii State Constitution, states that "There shall be a tax review commission, which shall be appointed as provided by law on or before July 1, 1980, and every five years thereafter. The commission shall submit to the legislature an evaluation of the State's tax structure, recommend revenue and tax policy and then dissolve." The TRC would be the best entity to examine the broader policy and economic implications of transferring the authority to tax real property back to the State to fund State functions and allocating a portion of general excise tax revenues to fund county functions.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Glenn Wakai, Chair
and Members of the Senate Committee on Economic Development, Tourism,
and Technology

The Honorable Clarence K. Nishihara, Chair
and Members of the Senate Committee on Public Safety, Intergovernmental,
and Military Affairs

Date: Thursday, April 13, 2017
Time: 2:00 P.M.
Place: Conference Room 414, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.C.R. 169, Requesting the Department of Business, Economic Development, and
Tourism to convene an economic development and tax reform working group to study,
among other things, the economic outcome of transferring the authority to tax real
property back to the State and allocating a portion of general excise tax revenues to the
counties.

The Department of Taxation (Department) appreciates the intent of H.C.R 169 and
provides the following comments for your consideration.

This resolution requests the Department of Business, Economic Development, and
Tourism to convene an Economic Development and Tax Reform Working Group (working
group). The working group is requested to study the effects of transferring real property taxation
back to the State, allocating a portion of general excise tax revenues to the counties, and
adjusting the State personal income tax structure. The working group is requested to submit a
report to the legislature no later than 20 days before the 2018 regular session. The measure
requests that the Director of Taxation, or designee, participate in the working group.

The Department is willing and able to participate in the working group.

Thank you for the opportunity to provide comments.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY**
AND
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS
Thursday, April 13, 2017
2:00 P.M.
State Capitol, Room 414

in consideration of
HCR169
**REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM TO CONVENE AN ECONOMIC DEVELOPMENT AND TAX
REFORM WORKING GROUP TO STUDY, AMONG OTHER THINGS, THE
ECONOMIC OUTCOME OF TRANSFERRING THE AUTHORITY TO TAX REAL
PROPERTY BACK TO THE STATE AND ALLOCATING A PORTION OF GENERAL
EXCISE TAX REVENUES TO THE COUNTIES.**

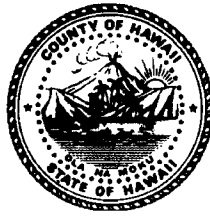
Chairs Wakai and Nishihara, Vice Chairs Taniguchi and Wakai, and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) appreciates the intent of this resolution, which requests DBEDT to convene an economic development and tax reform working group to study, among other things, the economic outcome of transferring the authority to tax real property back to the state and allocating a portion of General Excise Tax revenues to the counties. However, in addition to our regular studies, we have several on-going and current in-session mandated studies including:

- Assessing the emerging industry;
- Self-sufficient income standards;
- Research activity tax credit study;
- Film tax credit study;
- Real property tax study; and
- If HCR89 passes this session, establishing a working group relating to economic security.

Without additional resources, we would not have sufficient resources to convene a working group that could effectively address the issues related to this working group. Thank you for the opportunity to provide the above comments.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
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 Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

April 10, 2017

Senator Glenn Wakai, Chair
Committee on Economic Development, Tourism and Technology
Hawai'i State Capitol
Honolulu, HI 96813

Senator Clarence K. Nishihara, Chair
Committee on Public Safety, Intergovernmental and Military Affairs
Hawaii State Capitol
Honolulu, HI 96813

Dear Senator Wakai, Senator Nishihara and Committee Members:

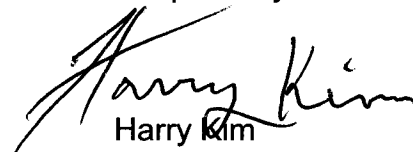
**RE: HCR 169
moving real property taxes to the State**

We respectfully oppose HCR 169, and urge that it be held.

The only substantial source of revenue that the counties control is the real property tax. Instead of recognizing the counties as full, responsible, and useful partners of the State in governing our beautiful islands, HCR 169 would relegate the counties to second class citizenship, returning the counties to the status of wards of the State who are incompetent and must be controlled. It is not even clear that this is being done for our own good, or simply to take away the little independence we have.

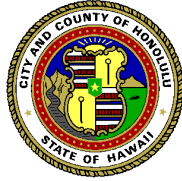
Please do not take favorable action on HCR 169.

Respectfully submitted,


Harry Kim
Mayor

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
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KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

CITY AND COUNTY OF HONOLULU
BEFORE THE COMMITTEES ON ECONOMIC DEVELOPMENT,
TOURISM, AND TECHNOLOGY
AND PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS
THURSDAY, APRIL 13, 2017; 2:00 PM

TO: THE HONORABLE GLENN WAKAI, CHAIR
THE HONORABLE BRIAN T. TANIGUCHI, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON ECONOMIC
DEVELOPMENT, TOURISM, AND TECHNOLOGY

THE HONORABLE CLARENCE K. NISHIHARA, CHAIR
THE HONORABLE GLENN WAKAI, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON PUBLIC SAFETY,
INTERGOVERNMENTAL, AND MILITARY AFFAIRS

FROM: ROY K. AMEMIYA, JR., MANAGING DIRECTOR
CITY AND COUNTY OF HONOLULU

SUBJECT: IN STRONG OPPOSITION TO HCR169

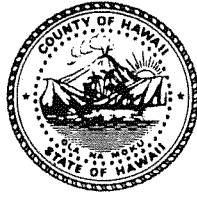
The City and County of Honolulu (City) strongly opposes HCR169, which requests the Department of Business, Economic Development, and Tourism to convene an economic development and tax reform working group to study the economic outcome of transferring the authority to tax real property to the State and allocate a portion of general excise tax revenues to the counties.

In 1978, the public ratified the decision to give the power to impose and collect real property taxes solely to the counties through a constitutional amendment. Real property tax revenues make up the most significant portion of all of the counties' general funds. City bonds are backed by the full faith and credit of the City, which designates real property taxes as the revenue stream. If the City were to lose its authority to impose and collect real property taxes, there would be a devastating impact on the City's finances, including its more than \$2,000,000,000 in general obligation debt.

We believe that the counties are carrying out their duties responsibly. By convening a working group to discuss taking away the counties' authority to impose any taxes, this resolution ignores all the efforts of all the counties and may adversely impact each county's bond rating. We oppose the intent and passage of this resolution.

Thank you for your consideration of this testimony.

Harry Kim
Mayor



Collins Tomei
Finance Director

Deanna S. Sako
Deputy Director

County of Hawai'i

DEPARTMENT OF FINANCE - REAL PROPERTY TAX

Aupuni Center • 101 Pauahi Street • Suite No. 4 • Hilo, Hawai'i 96720-4224 • Fax (808) 961-8415
Appraisers (808) 961-8354 • Clerical (808) 961-8201 • Collections (808) 961-8282
West Hawai'i Civic Center • 74-5044 Ane Keohokalole Hwy. • Bldg. D, 2nd Flr. • Kailua Kona, Hawai'i 96740
Fax (808) 327-3538 • Appraisers (808) 323-4881 • Clerical (808) 323-4880

March 21, 2017

To: Honorable Chair, Senator Glenn Wakai
Committee on Economic Development, Tourism, and Technology

Honorable Chair, Senator Clarence K Nishihara
Committee on Public Safety, Intergovernmental, and Military Affairs

From: Stanley Sitko, Real Property Tax Administrator
County of Hawai'i

Subject: Testimony in opposition to HCR169, Relating to study on transferring authority
back to the state to tax real property

Hearing: April 13, 2017 @ 2:00pm

HCR169 requests an economic outcome study to transfer the authority to tax real property back to the state and allocating a portion of GE Tax revenue to the counties. We would like to request that the Economic Development and Business Committee not pass this measure.

There were good reasons many years ago when the state turned over jurisdiction for real property taxes to the counties. Due to circumstances unbeknownst to us that decision now, apparently, is being questioned.

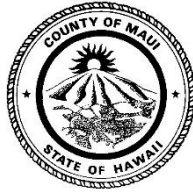
We believe the counties are dealing responsibly with the real property tax, and do not believe a change is warranted. We cannot even suggest any amendment that would make this resolution acceptable.

Sincerely,

Stanley Sitko

cc: Mayor Harry Kim
Finance Director

ALAN M. ARAKAWA
MAYOR



200 South High Street
Wailuku, Maui, 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

April 11, 2017

TESTIMONY OF ALAN M ARAKAWA
MAYOR
COUNTY OF MAUI

BEFORE THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY and
THE SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Monday, April 13, 2017, 2:00 p.m.
Conference Room 414

HCR169 REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO
CONVENE AN ECONOMIC DEVELOPMENT AND TAX REFORM WORKING GROUP TO STUDY, AMONG OTHER
THINGS, THE ECONOMIC OUTCOME OF TRANSFERRING THE AUTHORITY TO TAX REAL PROPERTY BACK TO
THE STATE AND ALLOCATING A PORTION OF GENERAL EXCISE TAX REVENUES TO THE COUNTIES.

Senator Glenn Wakai, Chair
Senator Brian T. Taniguchi, Vice Chair
Honorable Members of the Senate Committee on Economic Development, Tourism, and Technology

Senator Clarence K. Nishihara, Chair
Senator Glenn Wakai, Vice Chair
Honorable Members of the Senate Committee on Public Safety, Intergovernmental, and Military Affairs

Thank you for this opportunity to testify in **STRONG OPPOSITION** to HCR169.

On behalf of the County of Maui, I oppose this bill which requests the Department of Business, Economic Development, and Tourism to convene an economic development and tax reform working group to study the economic outcome of transferring the authority to tax real property to the State and allocate a portion of general excise tax revenues to the counties.

In 1978, the public ratified the decision to give the power to impose and collect real property taxes solely to the counties through a constitutional amendment. Real property tax revenues make up the most significant portion of all of Maui County's general fund. A county's bonds are backed by the full faith and credit of that county, which designates real property taxes as the revenue stream. If the counties were to lose their authority to impose and collect real property taxes, there would be a devastating impact on the counties' finances, including billions of dollars in general obligation bonds.

I believe that the counties are carrying out their duties responsibly. By convening a working group to discuss taking away the counties' authority to impose any taxes, this resolution ignores all the efforts of all the counties and may adversely impact the counties' bond ratings. I strongly oppose the intent and passage of this resolution.

Thank you for your consideration of this testimony in **STRONG OPPOSITION** to HCR169.

Sincerely,

Alan M. Arakawa
Mayor, County of Maui

Bernard P. Carvalho, Jr.
Mayor



Ken M. Shimonishi
Director of Finance

Wallace G. Rezentes, Jr.
Managing Director

Sally A. Motta
Deputy Director of Finance

DEPARTMENT OF FINANCE

County of Kaua'i, State of Hawai'i

4444 Rice Street, Suite 280, Lihu'e, Hawai'i 96766
TEL (808) 241-4200 FAX (808) 241-6529

**COUNTY OF KAUA'I
BEFORE THE COMMITTEES ON
ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY and
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS**

THURSDAY, APRIL 13, 2017, 2:00 PM – CONFERENCE ROOM 414

**TO: THE HONORABLE CHAIR GLENN WAKAI,
THE HONORABLE CHAIR CLARENCE NISHIHARA
AND MEMBERS OF THE COMMITTEES**

**FROM: KEN M. SHIMONISHI, DIRECTOR OF FINANCE
COUNTY OF KAUA'I**

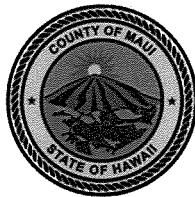
SUBJECT: OPPOSITION TO HCR169

The County of Kaua'i strongly opposes resolution HCR169, which requests the Department of Business, Economic Development, and Tourism to convene an economic development and tax reform working group to study the economic outcome of transferring the authority to tax real property to the State and allocate a portion of general excise tax revenues to the counties.

In 1978, the public ratified the decision to give the power to impose and collect real property taxes solely to the counties through a constitutional amendment. Real property taxes currently make up over 82% of our county's general fund revenues, with the lion's share of these funds used to provide essential government functions such as police, fire, emergency management services, public transportation, parks, and landfill operations. We believe that the counties are carrying out their duties responsibly and have managed tax rates appropriately. By convening a working group to discuss taking away the counties' authority to impose any taxes, this resolution undermines the counties' ability to fund essential services. We also have concerns that a State-run real property tax system might attempt to impose a "one size fits all" approach to tax rates and tax relief measures despite significant differences in the composition of each counties' assessment base. As such, we must strongly oppose the intent and passage of this resolution. Thank you for your consideration of this testimony.

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ALAN M. ARAKAWA
Mayor



DANILO F. AGSALOG
Director of Finance

MARK R. WALKER
Deputy Director of Finance

SCOTT K. TERUYA
Administrator

GERY MADRIAGA
Assistant Administrator

COUNTY OF MAUI
DEPARTMENT OF FINANCE
REAL PROPERTY ASSESSMENT DIVISION
70 E. KAAHUMANU AVENUE, SUITE A-16, KAHULUI, MAUI, HAWAII 96732
Assessment: (808) 270-7297 | Fax: (808) 270-7884
www.mauipropertytax.com

April 12, 2017

TO: Honorable Senator Glenn Wakai, Chair
Honorable Senator Brian T. Taniguchi, Vice Chair
and Members of the House Committee on Economic Development and Business

Honorable Senator Clarence K. Nishihara, Chair
Honorable Senator Glenn Wakai, Vice Chair
and Members of the Senate Committee on Public Safety, Intergovernmental and Military Affairs

DATE: Thursday, April 13, 2017, 2:00 p.m.
PLACE: Conference Room 414, State Capitol

FROM: Scott K. Teruya, AAS, Administrator
Real Property Assessment Division
Department of Finance

SUBJECT: Testimony In Strong Opposition - HCR 169

The County of Maui, Real Property Assessment Division (RPAD) opposes HCR169, which requests the Department of Business, Economic Development, and Tourism to convene an economic development and tax reform working group to study the economic outcome of transferring the authority to tax real property back to the State and allocating a portion of general excise tax revenues to the counties.

We strongly believe that each county has unique circumstances, exemption programs and ordinances. Consolidating the real property assessment and tax programs to a statewide system will be difficult and disruptive to an already effective program that exists for each county.

We do not believe a change is warranted and urge you not to pass this measure as it would be devastating to the county's largest revenue source.

Thank you for the opportunity to testify on this matter.

Sincerely,


Scott K. Teruya, AAS



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Economic Development, Tourism, and Technology
and
Senate Committee on Public Safety, Intergovernmental, and Military Affairs
Thursday, April 13, 2017 at 2:00 p.m.

By
Denise Eby Konan, Dean
College of Social Sciences
University of Hawai'i at Mānoa

HCR 169 – REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO CONVENE AN ECONOMIC DEVELOPMENT AND TAX REFORM WORKING GROUP TO STUDY, AMONG OTHER THINGS, THE ECONOMIC OUTCOME OF TRANSFERRING THE AUTHORITY TO TAX REAL PROPERTY BACK TO THE STATE AND ALLOCATING A PORTION OF GENERAL EXCISE TAX REVENUES TO THE COUNTIES.

Chairs Wakai and Nishihara, Vice Chairs Taniguchi and Wakai, and members of the committees:

Thank you for the opportunity to provide testimony on House Concurrent Resolution 169. This measure includes the executive director of the University of Hawai'i Economic Research Organization (UHERO) as a member of an Economic Development and Tax Reform Working Group within the Department of Business, Economic Development to study: authority to tax real property, allocation of the general excise tax, adjusting the personal income tax; and further feasibility and economic impact determinations with regard to homeownership in Hawai'i.

UHERO is housed within the Social Science Research Institute of the College of Social Sciences. The mission of UHERO is to inform public and private sector decision-making through rigorous, independent economic research on the people, environment, and economies of Hawai'i and the Asia-Pacific region. This mission aligns with the working group's charge "to study the economic outcome of:

- (1) Transferring the authority to tax real property back to the State;
- (2) Allocating a portion of general excise tax revenues to the counties; and
- (3) Adjusting the State's personal income tax structure to ease the economic burden on resident taxpayers;"

The College and UHERO support study and research on the economic effects of reforming Hawai'i's tax system, and are willing to participate in the working group, but not without faculty resources to do so. UHERO's (3.5 FTE) faculty have very full

research agendas, and already voluntarily serve on state committees and commissions. For example, UHERO's director Carl Bonham has served on the State Council on Revenues for almost two decades, and Dr. Kimberly Burnett serves as the UH representative on the state Endangered Species Recovery Committee. These are just a few examples of UHERO faculty contributing their expertise to address issues of critical importance to the state. Given UHERO's extremely limited faculty resources, adding another important working group assignment will negatively impact other areas of research and service that are vital to the state.