

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 20, 2017

TO: The Honorable Richard H.K. Onishi, Chair
House Committee on Tourism

FROM: Stacy Crivello
HSAC President

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

LATE

SUBJECT: **HEARING OF MARCH 21, 2017; PROVIDING COMMENTS ON SB 1290, SD 2 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to provide comments on behalf of the Hawaii State Association of Counties. The amended purpose of this measure will place a cap of \$108 million as the counties' share of the transient accommodations tax revenue.

Over the years, HSAC has fought for a more equitable distribution of the TAT and returning a fair share to the counties. I am providing comments on behalf of the Hawaii State Association of Counties:

1. While we appreciate the increased allocation in the counties' TAT share, **HSAC supports the measure's original intent of a 55-45 percent split** of the remaining TAT. The distribution is consistent with the work done in 2015 by the State-County Functions Working Group, tasked by the Legislature to recommend an appropriate allocation of the transient accommodations tax revenues between the State and counties.
2. Without a fair share of the TAT, **county residents are burdened** by expenses that should be paid for by the visitors' tax. Operational costs have increased dramatically for county-maintained services such as water and sewer service; police, fire and ocean safety protection; development and upkeep of most roads; and park development and maintenance.
3. **HSAC supports lifting the TAT cap** as proposed in the original version of the bill. We are in favor of using a fair formula for the distribution of TAT.

Mahalo for your consideration.

HSAC:FY2017:17Testimony:SB1290_sd2_mkz

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 HOUSE COMMITTEE ON TOURISM
ON
SENATE BILL NO. 1290, S.D. 2

LATE

March 21, 2017
9:00 a.m.
Room 429

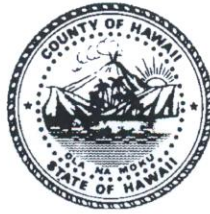
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 1290, S.D. 2, adjusts the allocation of transient accommodations tax to the counties from \$93,000,000 to \$108,000,000 for each fiscal year beginning in FY 18.

The Department of Budget and Finance would like to point out that this measure will have a significant adverse impact on the Administration's General Fund Financial Plan. The general fund loss of \$15,000,000 each year will limit the Administration's and the Legislature's flexibility in dealing with fiscal contingencies.

Thank you for your consideration of our comments.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i Office of the Mayor

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March 20, 2017

Rep. Richard H.K. Onishi, Chair
Committee on Tourism
Hawai'i State Capitol
Honolulu, HI 96813

Dear Chair Onishi and Members,

**RE: SB 1290, SD 2
Relating to the Transient Accommodations Tax**

Thank you for this opportunity to testify in support of SB 1290, SD2, which deals with the Transient Accommodations Tax, but requesting additional funding.

Our understanding is that the TAT was originally established to assist the counties, but the Legislature has always had the prerogative to determine how it will be apportioned. Given Hawaii County's limited resources (and seemingly unlimited needs), we are fortunate that the Legislature has never wavered in allowing the counties to share in the TAT, and we thank you for that.

Since the State and the counties serve the same constituents, it is important that we continue to work as partners in meeting the needs of our communities. As demand for services is ever increasing (and so is the cost of those services), it is equally important that revenue be appropriately shared so that the demands can be met to the best of our combined abilities.

SB 1290, SD2, increases the share of TAT funds that goes to the counties from \$103M to \$108M per year. While we recognize that the State faces a financial dilemma not dissimilar from that faced by the counties, we also must inform you that \$108M will leave us far short of what we need to balance our budget and keep our services at a level our residents deserve.

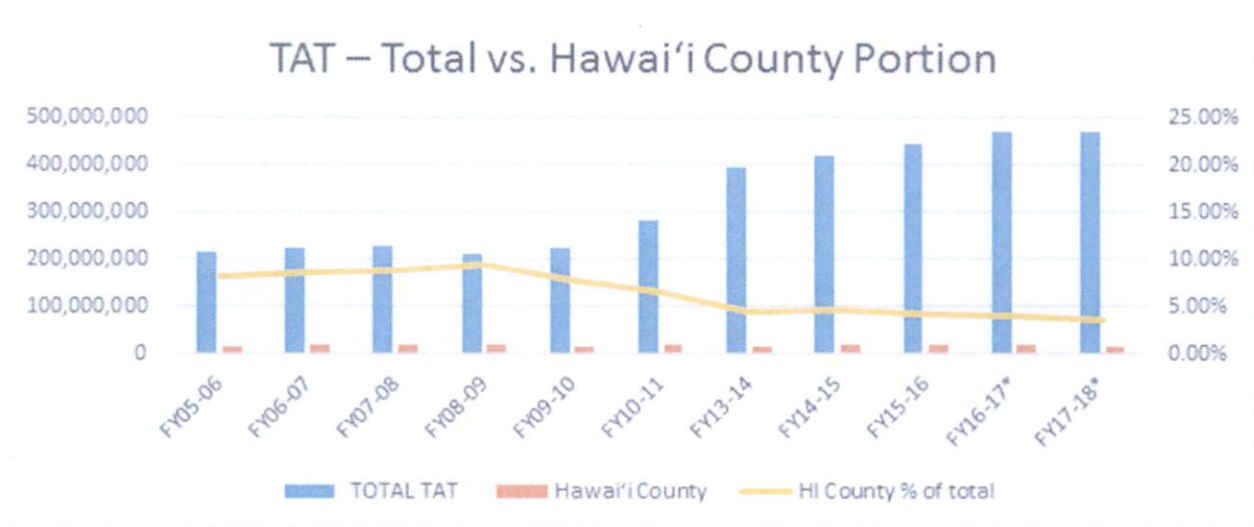
An earlier draft of this bill, SB 1290, SD1, provided a reasonable division of revenue among the various parties that are looking for a piece of the TAT pie. That draft

removed the cap on the share of TAT going to the counties, giving us collectively 45% after several deductions. It recognized that without TAT, the counties would be forced to raise property taxes and/or reduce services to levels that most would find unacceptable.

Many may not realize how important the TAT is to the County of Hawaii (and to the other counties). It is, in fact, Hawaii County's second largest source of revenue, behind only the property tax. Unless we continue to receive a reasonable share of the TAT, we will be pressed to raise property taxes about \$19M (5.1% of our total budget), and that would worsen the pressures on the portion of the population that is currently managing a paycheck-to-paycheck financial existence. It would hurt a major part of our population, affecting renters and homeowners alike. Property taxes, after all, are not simply absorbed by a landlord; they are passed on, in whole or in part, to a tenant.

The chart below reflects how small a portion of the TAT comes to Hawaii County, and how the percentage has shrunk over the years.

While SB 1290, SD2 is preferable to no action, please help us help our fellow constituents by deleting the current language and substituting SB 1290, SD1.

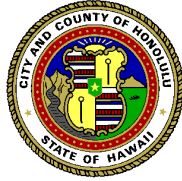


Respectfully submitted,

Harry Kim
Mayor

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

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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 COMMITTEE ON
TOURISM
TUESDAY, MARCH 21, 2017; 9:00 AM

TO: THE HONORABLE RICHARD H.K. ONISHI, CHAIR
THE HONROABLE JAMES K. TOKIOKA, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON TOURISM

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

SUBJECT: SUPPORT OF SB1290, SD2 RELATING TO THE TRANSIENT
ACCOMMODATIONS TAX.

The City and County of Honolulu (City) supports the provision of this measure that increases the allocation of transient accommodations tax (TAT) revenues to the counties to \$108,000,000 to be shared at the current split.

According to the Auditor's State-County Functions Working Group December 2015 Report, the City spends approximately \$116 million on visitor-related expenses and this number continues to grow. The other counties also spend significant amounts on visitor-related expenses. This measure recognizes the counties' contributions towards our visitor industry.

Thank you for your consideration of this testimony in support of the provisions that amend the counties' allocation of the TAT.

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

Councilmembers
Alika Atay
Elle Cochran
Don S. Guzman
Riki Hokama
Kelly T. King
Yuki Lei K. Sugimura




Director of Council Services
Sandy K. Baz

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

March 20, 2017

TO: The Honorable Richard H.K. Onishi, Chair
House Committee on Tourism

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF MARCH 21, 2017; PROVIDING COMMENTS ON SB 1290,
SD 2, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to provide comments on this important measure. The amended purpose of this bill is to place a cap on the allocation of the transient accommodations tax revenue to the counties to \$108 million.

The Maui County Council supports lifting the cap on the TAT share to the counties, therefore, I am providing this testimony on behalf of the Maui County Council.

In addition to serving as chair of the Maui County Council, my testimony is also informed by my visitor industry experience as general manager of the Kaanapali Beach Hotel for 30 years, and through my service as a state legislator from 1993 to 1998.

Please consider the following comments:

1. I appreciate the legislature's effort to increase the counties' portion of the TAT, but our goal remains – lift the cap. I support the original recommended 45 percent allocation of the remaining TAT revenue to the counties after specific appropriations, with the State receiving 55 percent. This split is consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014) noting the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent.
2. The purpose of the TAT was to help the counties fund visitor-related expenses based on a **percentage of earned revenue**, not as a form of charity based on a fixed amount. Adding the \$108 million cap is NOT consistent with the purpose of the tax. The counties' share increases or decreases, based on a formula proportional to the TAT revenue collected.
3. As partners in Hawaii's governance, the measure will provide the counties the ability to plan and invest on visitor program improvements consistently over time with a predictable and stable source of revenue. From Fiscal Year 2007 to

2017, the four counties collectively received a mere \$2.2 million in TAT, while expenses for just fire, police and park services have increased by more than \$260 million. Furthermore, we are faced with collective bargaining negotiations this year. Expenditures rise at a pace far exceeding the counties' share.

4. During the same period, the State's annual share of TAT revenue has increased by more than \$220 million. This is because of the arbitrary cap placed on the counties' share to help balance the State's budget during the economic downturn. But now that we have a record-number of visitors already paying for the services they use, it is time to return a fair share to the counties to relieve our residents the burden of paying for our tourists.
5. According to visitor-industry consultant HVS, Hawaii counties receive the lowest amount of taxes generated from hotel room revenues compared to our peers across the nation. Counties in Hawaii on average receive 17 percent of revenues when combining hotel room revenues and excise tax, while on average, peers across the nation receive 67 percent based on the same calculation.

I commend the **original intent** of this bill for recognizing that the TAT has indeed evolved and urge you to incorporate lifting the cap and changing it to a percent-based formula that the counties have been fighting for years.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to Counties

BILL NUMBER: SB 1290, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Adjusts allocation of transient accommodations tax revenues to the tourism special fund for inflation. Adjusts allocation to the counties to equal forty-five per cent of the amount of revenues remaining after all other allocations are made.

SYNOPSIS: Amends section 237D-6.5, HRS, to allocate the proceeds from the transient accommodations tax as follows:

1. \$1.5 million goes to the Turtle Bay conservation easement special fund.
2. \$26.5 million is deposited into the convention center enterprise special fund;
3. \$82 million goes to the tourism special fund, of which
 - a. \$1 million is allocated for the operation of a Hawaiian center and museum of Hawaiian music and dance at the Hawaii convention center;
 - b. 0.5% is transferred to a sub-account to provide funding for a safety and security budget, and
 - c. funds are transferred to the tourism emergency special fund to maintain a \$5 million balance;
4. \$108 million goes to the various counties (Kauai 14.5%, Big Island 18.6%, Honolulu 44.1%, Maui 22.8%); and
5. \$3 million is allocated to the special land and development fund.
6. Any remaining revenues then go to the general fund.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: Act 161, SLH 2013, made permanent the TAT rate of 9.5% and changed the allocations of TAT from a percentage basis to a specific dollar amount. Currently, TAT revenues are allocated as follows: (1) \$1.5 million goes to the Turtle Bay conservation easement special fund; (2) \$26.5 million is deposited into the convention center enterprise special fund; (3) \$82 million goes to the tourism special fund; (4) \$103 million is transferred to the various counties; and (5) \$3 million is allocated to the special land and development fund. Any remaining revenues then go to the general fund.

This measure would increase the siphon of TAT revenues to the tourism special fund and would perpetuate the earmarking of TAT revenues. Most of us understand that tourism promotion is a worthy goal. But does that justify grabbing a pot of TAT money without going through the normal budgeting process that also considers sweltering primary schools, underfunded state pensions, or homelessness?

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for a particular purpose decreases transparency and accountability.

This proposal indicates that county governments have grown well beyond their means and are desperately 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 must stop somewhere. Both levels of government need to resize their operations and set priorities for what limited resources taxpayers can share with government.

Digested 3/20/2017



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

SB1290 SD2

RELATING TO THE TRANSIENT ACCOMODATIONS TAX

COMMITTEE ON TOURISM

Tuesday, March 21, 2017, 9:00am

Conference Room 429

Dear Chair Onishi, Vice Chair Tokioka and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 175 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA’s membership employs over 25,000 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 supports SB1290 SD2, which repeals the requirement that a certain amount of the allocation of transient accommodations tax revenues to the tourism special fund be used for the development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii. Increases the allocation to the counties from \$93,000,000 to \$108,000,000 for fiscal years beginning after 6/30/2017.

MHLA believes our county governments should receive a more equitable amount of funding support from the state government. We appreciate the consideration of increasing the allocation to the counties by \$15,000,000 beginning FY 18. Our counties absorb many of costs associated with community growth and provide public services to residents and visitors alike that include all forms of public safety: roads; parks and public facilities; water and sewage infrastructure; public transportation. 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.

MHLA recognizes and appreciates the efforts of all of the county governments in sustaining the visitor industry as we, in turn, continue to support our county government in their efforts to secure an equitable share of tourism-generated revenue from the Legislature.

Thank you for the opportunity to testify.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON TOURISM
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 429
TUESDAY, MARCH 21, 2017 AT 9:00 A.M.**

To The Honorable Richard H.K Onishi, Chair;
The Honorable James Kunane Tokioka, Vice Chair; and
Members of the Committee on Tourism

**TESTIMONY IN SUPPORT OF SB1290 RELATING TO
THE TRANSIENT ACCOMMODATIONS TAX**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce representing approximately 600 businesses and 16,000 employees on Maui. I am writing share our support of SB 1290.

We believe our county governments should be receiving more funding from the transient accommodations tax as our counties provide public services to both residents and visitors and are faced with the growing costs for these services. This bill increases the allocation to counties from \$93,000,000 to \$108,000 000 which will help to offset the continuously increasing costs of the necessary public services, like public safety, they provide. The transient accommodations tax allocations amount must be adjusted so our counties receive the funding they need.

We appreciate the opportunity to testify on this matter and therefore ask that this bill be passed.

Mahalo for your consideration of our testimony and we hope you will move this bill forward.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



HAWAI'I LODGING & TOURISM
ASSOCIATION



Testimony of

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

House Committee on Tourism

Senate Bill 1290 SD2, Relating to the Transient Accommodations Tax

Chair Onishi, Vice Chair Tokioka, and members of the committee:

Mahalo for the opportunity to testify. On behalf of the more than 700 members of the Hawai'i Lodging & Tourism Association, we support Senate Bill 1290 SD2 which in large part underscores an increase of TAT funds allocated to the counties for fiscal years following 2016-2017.

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 residents and visitors alike. These include all forms of public safety, roads, parks and public facilities, water and sewage infrastructure, and public transportation, among them. 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.

While SB1290 addresses a very important aspect of TAT distributions, HLTA would also like to suggest that a provision be included in this measure to address homelessness in tourism impacted areas. We would like to propose that an ancillary \$2 million be allocated from the general coffers of the TAT to the counties for the purpose of funding homelessness outreach and service initiatives in tourism hubs.

While the homeless can be found across our state, the situation is particularly acute in Waikiki and at popular public parks and facilities used by residents and visitors alike. Homelessness has a direct impact on the visitor experience, is a source of frustration for local residents, and poses a very difficult and often dangerous existence for the homeless.

The hospitality industry, through our association and member hotels and businesses, has donated \$2 million during the last three years to the Institute for Human Services (IHS) and other social service



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

agencies on our largest islands, specifically for homelessness outreach and service. These funds have come from a collaborative effort put forth by the hospitality industry which include monies from our charity walks on Oahu, Hawai'i Island, Kaua'i, and Maui as well as funds raised from the Hilton Hawaiian Village's Hawai'i for Hawai'i Benefit Concert. Agencies and charitable non-profits that have had direct impact from these donations include Helping Hands Hawai'i, Honolulu Community Action Program, Waikiki Health, Catholic Charities Hawai'i, and Mental Health Kokua. Specifically speaking, we have developed a very productive partnership with the IHS, which helps the homeless in Waikiki, including outreach efforts, repatriation and van transportation so they can access vital services. As a result of our firm belief that homelessness is not just a Honolulu-centric challenge, we also gave Kaua'i Economic Opportunity \$25,000 last year, and Maui Family Life Center received \$25,000 the year before to repatriate homeless back to their families or caregivers on the mainland. This year we are also poised to provide a similar donation for Hawai'i Island to an appropriate service provider.

But despite the best efforts of the hospitality industry and the tremendous fund-raising success of the Charity Walk, the needs of this growing population continue to outweigh the resources. And we believe it is only reasonable and fair for state government, through the TAT, to allocate funds for this tourism related purpose.

The members of the Hawai'i Lodging & Tourism Association will continue to fund-raise and donate money through our Visitor Industry Charity Walk and other endeavors to help the homeless. We look forward to having the state government, through proposed legislation, augment our efforts as a direct participant in what should be an important public-private partnership.

We respectfully ask the committee to consider this additional language in the deliberation of SB1290.

Mahalo.

Submitted By	Organization	Testifier Position	Present at Hearing
Mark Gordon	Individual	Support	No

Comments: Aloha Please Support SB1290 to increase the allocation of the TAT to the Counties from \$93,000,000 to \$108,000,000. Hawaii County especially depends a great deal on the funds from the TAT for maintaining County operations not only for residents, but for tourists as well. In addition, I believe the percent allocations to the Counties should be increased, even if it is gradually to the pre 2006-2008 time period. Mahalo for allowing me to share my comments. Mark Gordon Waikoloa HI

LATE

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

Comments: Thank you for the opportunity to submit my testimony that I reiterate the comments forwarded by HSAC President, Stacy Crivello

LATE

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

Comments: Thank you for allowing me to submit that I reiterate the comments submitted by Maui County Council Chair Mike White.