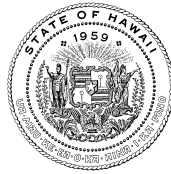


DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
ACTING 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 LAUREL A. JOHNSTON
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON TOURISM
ON
HOUSE BILL NO. 1665

LATE

**January 30, 2018
9:00 a.m.
Room 429**

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill (H.B.) No. 1665 adjusts the allocation of transient accommodations tax (TAT) to the counties to equal 45% of the revenues collected.

The Department of Budget and Finance has serious concerns with this measure, as it will have a significant adverse impact on the Administration's General Fund Financial Plan. The general fund loss will limit the Administration's and Legislature's flexibility in dealing with fiscal contingencies and jeopardize the Administration's Supplemental Budget request.

Using the Council on Revenues' January 8, 2018 forecast for TAT collections and applying the changes to Section 237D-6.5, HRS, included in H.B. No. 1665, the State general fund stands to incur a reduction of \$54.3 million for FY 19 and \$65 million for FY 20. Higher losses can be expected in FY 21 and beyond.

Thank you for your consideration of our comments.

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



LATE

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

January 29, 2018

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

FROM: Robert Carroll
Councilmember

Handwritten signature of Robert Carroll in cursive.

DATE: January 29, 2018

SUBJECT: **TESTIMONY IN SUPPORT OF HB 1665, RELATING TO THE
TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support of** this important measure. The purpose and intent of this measure is to amend the amount of transient accommodations tax revenues allocated to the counties from the specified sum to a percentage of the revenues collected.

The Maui County Council supports lifting the cap on the TAT share to the counties and a nearly identical bill is included in the Hawaii State Association of Counties legislative package. Therefore, I am providing this testimony in support of our Chair of the Maui County Council

I **support** this measure for the following reasons:

1. From Fiscal Year 2007 – 2017, the four counties collectively received a mere \$2.2 million increase 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 increases this fiscal year. Expenditures are rising at a pace far exceeding the counties' share.
2. 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 of the burden of paying for our tourists.
3. 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. The \$103 million cap is NOT consistent with the purpose of the tax. The counties' share should increase or decrease, based on a formula proportional to the TAT revenue collected.

January 29, 2018

Page 2

4. The 45 percent allocation to the counties with the State receiving 55 percent is also consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014). The report noted that the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. 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.
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.

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

RC:dna

COUNTY COUNCIL

Mel Rapozo, Chair
Ross Kagawa, Vice Chair
Arthur Brun
Mason K. Chock
Arryl Kaneshiro
Derek S.K. Kawakami
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

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

Telephone: (808) 241-4188
Facsimile: (808) 241-6349
E-mail: cokcouncil@kauai.gov

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

January 29, 2018

**TESTIMONY OF DEREK S.K. KAWAKAMI
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON**

**HB 1665, Relating to the Transient Accommodations Tax
House Committee on Tourism
Tuesday, January 30, 2018
9:00 a.m.
Conference Room 429**

Dear Chair Onishi and Members of the Committee:

Thank you for this opportunity to provide testimony in strong support of HB 1665, Relating to the Transient Accommodations Tax. My testimony is submitted as Vice President of the Hawai'i State Association of Counties, and in my individual capacity as a member of the Kaua'i County Council and Chair of the Council's Economic Development & Intergovernmental Relations Committee.

The purpose of this measure is to amend the amount of transient accommodations tax ("TAT") revenues allocated to the counties from a specified sum to a percentage of the revenues collected. Similar measures seeking a removal of the TAT cap are included in both the County of Kaua'i and Hawai'i State Association of Counties Legislative Packages. It is in the best interest of Hawai'i's residents for the counties to receive a formula-based percentage of the TAT rather than a capped amount because of the growing visitor demands and essential services that the counties are responsible for providing.

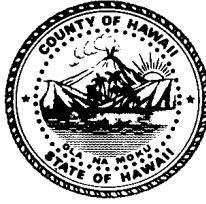
For the reasons stated above, I urge the House Committee on Tourism to support this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

DEREK S.K. KAWAKAMI
Councilmember, Kaua'i County Council

AMK:mn

From the office of -
Council Member
District 3



Office: (808) 961-8396
Fax: (808) 961-8912
Email: sue.leeloy@hawaiicounty.gov

SUSAN L.K. LEE LOY

25 Aupuni Street, Hilo, Hawai'i 96720

The Honorable Richard H.K. Onishi, Chair
And members of the Committee on Tourism

January 29, 2018

Dear Chair Onishi and Committee Members,

I thank you for the opportunity to provide testimony in strong support of House Bill 1665, to replace the flat \$103 million appropriation to the counties with a 45 percent allocation of Transient Accommodations Tax revenues, after adjusting for allocations to the tourism special fund, the convention center enterprise special fund, the Turtle Bay conservation easement special fund, and any others as the Legislature may see fit.

This is the recommendation of the state-county functions working group, provided to you pursuant to Act 174, SLH 2014. Although the study is now two years old, the rationale behind it has not changed and in some ways has become exacerbated by such factors as increasing numbers of tourists to the islands and the increased draw on the resources of the counties as a result. The increased visibility and accessibility of the eruption at Kīlauea Volcano, in addition to the renovations at the Grand Naniloa Hotel in Hilo, and the resumption of direct flights between Haneda Airport in Japan and Ellison Onizuka Kona International Airport, are a few of the reasons behind the record-breaking number of visitors to our island.

I invite your Committee to come to Richardson Ocean Park in Hilo on any day and count the tour buses that bring visitors on County roads to see a County beach, use the County restrooms and dispose their trash in County receptacles.

The problems the counties face are all similar – namely, pressure on the operating budget due to salaries, wages, benefits, solid waste, wastewater treatment, mass transit and public safety. We are all residents of a county, as are your constituents. We welcome any and all additional sources of revenue.

Again, I thank you for the opportunity to provide testimony in support of HB 1665, and I ask for your approval.

Aloha Piha,

A handwritten signature in black ink, appearing to read "Sue Lee Loy".

Sue Lee Loy
Council Member, District 3

Hawai'i County Is an Equal Opportunity Provider And Employer



LATE

January 30, 2018

To: Honorable Richard H.K. Onishi, Chair
Honorable Beth Fukumoto, Vice Chair
House Committee on Finance

Tuesday, January 30, 2018, 9:00am
Conference room 429

Subject: HB1665 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

The Hawaii Council of Mayors extends our appreciation to Committee Chair Onishi, Committee Vice Chair Fukumoto, as well as to each member of this honorable committee for this opportunity to present our testimony in strong support of HB1665. As Mayors, we are united on this issue that impacts our counties collectively.

HCOM urges the legislature to adopt and follow the State-County Functions Working Group's recommendations as to what would be a fair distribution of TAT funds between the state and counties. Specifically, HCOM recommends that the Legislature support HB 1665 that provides a 55-45 percent split between the state and counties, in lieu of the Legislature placing a cap of \$103 million for all counties.

While we appreciate the TAT funds provided each county, the counties must again emphasize our right to a fair share of the TAT and believe that the 55-45 % split is fair.

Aloha and Mahalo,

Alan Arakawa, Mayor
County of Maui

Bernard P. Carvalho, Jr., Mayor
County of Kaua'i

Harry Kim, Mayor
County of Hawai'i

Kirk Caldwell, Mayor
City and County of Honolulu



Mayor Harry Kim
County of Hawaii
25 Aupuni Street
Hilo, Hawai'i 96720



Mayor Kirk Caldwell
City and County of Honolulu
530 South King Street, Rm. 306
Honolulu, Hawai'i 96813



Mayor Bernard Carvalho, Jr.
County of Kaua'i
4444 Rice Street
Lihue, Hawai'i 96766



Mayor Alan Arakawa
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

Hawai'i State Association of Counties (HSAC)

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

74-5014 Aie Keonokaloie Highway, Bldg. A, Kailua-Kona, HI 96740



January 29, 2018

TESTIMONY OF DRU KANUHA
HSAC PRESIDENT

ON HB1665, RELATING TO THE TRANSIENT ACCOMMODATION TAX.

Committee on Tourism

Tuesday, January 30, 2018

9:00 a.m.

Conference Room 429

LATE

Aloha Chair Onishi and Members of the Committee:

I thank you for the opportunity to testify on behalf of the Hawai'i State Association of Counties in **support** of House Bill 1665, relating to the transient accommodations tax (TAT).

The purpose of this measure is to amend the amount of transient accommodations tax revenues allocated to the counties from a specified sum to a percentage of the revenues collected.

The purpose of the TAT was to help the counties fund visitor-related expenses based on a percentage of earned revenue. The current cap amount is not consistent with the purpose of the tax, and the counties share should increase or decrease, based on a formula proportional to the TAT revenue collected. The 45 percent allocation to the counties with the State receiving 55 percent is also consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014).

HSAC supports this measure for the reasons stated above and we urge the Committee on Tourism to support this measure as well. Should you have any questions, please feel free to contact me at (808) 323-4267.

Mahalo for your consideration.

DRU KANUHA
HSAC PRESIDENT

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




LATE

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

January 29, 2018

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

FROM: Stacy Crivello, Secretary 
Hawaii State Association of Counties

SUBJECT: **HEARING OF JANUARY 30, 2018; TESTIMONY IN SUPPORT OF HB 1665, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support of** this important measure. The purpose of this HB 1665 is to amend the amount of transient accommodations tax ("TAT") revenues allocated to the counties from the specified sum to a percentage of the revenues collected.

Hawaii State Association of Counties' ("HSAC") supports lifting the cap on the TAT share to the counties. A similar bill is included in the Hawaii State Association of Counties legislative package; therefore, I offer this testimony as HSAC's Secretary.

I am aware that the President of HSAC has submitted testimony, on behalf of HSAC, in support of this measure. As the Secretary of HSAC, I concur with the testimony submitted by the President, and urge you to **support** this measure.

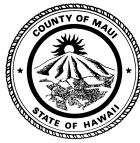
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Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

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

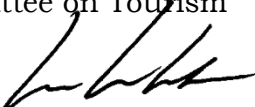


LATE

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

January 29, 2018

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

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF JANUARY 30, 2018; TESTIMONY IN SUPPORT OF HB 1665, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support of** this important measure. The purpose of this HB 1665 is to amend the amount of transient accommodations tax revenues allocated to the counties from the specified sum to a percentage of the revenues collected.

The Maui County Council supports lifting the cap on the TAT share to the counties and a nearly identical bill is included in the Hawaii State Association of Counties legislative package. 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 hotel general manager for 33 years, and through my service as a state legislator from 1993 to 1998.

I support this measure for the following reasons:

1. From Fiscal Year 2007 to 2017, the four counties collectively received a mere \$2.2 million increase 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 increases this fiscal year. Expenditures are rising at a pace far exceeding the counties' share.
2. 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 of the burden of paying for our tourists.
3. 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. The \$103 million cap is NOT consistent with the purpose of the tax. The counties' share should increase or decrease, based on a formula proportional to the TAT revenue collected.

January 29, 2018

Page 2

4. The 45 percent allocation to the counties with the State receiving 55 percent is also consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014). The report noted that the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. 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.
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.

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

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LATE

**RECEIVED
Date & Time**

Jan 29, 2018, 2:31 pm

HB-1665

Submitted on: 1/29/2018 2:29:31 PM

Testimony for TOU on 1/30/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Yuki Lei Sugimura	Maui County Council	Support	No

Comments:

I support this measure to amend the amount of the TAT revenues allocated to the counties from specified sum to a percentage of the revenues collected/

Thank you,

Yuki Lei Sugimura

Councilmember Maui County



LATE

January 30, 2018

To: Honorable Richard H.K. Onishi, Chair
Honorable Beth Fukumoto, Vice Chair
House Committee on Finance

Tuesday, January 30, 2018, 9:00am
Conference room 429

Subject: HB1665 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

The Hawaii Council of Mayors extends our appreciation to Committee Chair Onishi, Committee Vice Chair Fukumoto, as well as to each member of this honorable committee for this opportunity to present our testimony in strong support of HB1665. As Mayors, we are united on this issue that impacts our counties collectively.

HCOM urges the legislature to adopt and follow the State-County Functions Working Group's recommendations as to what would be a fair distribution of TAT funds between the state and counties. Specifically, HCOM recommends that the Legislature support HB 1665 that provides a 55-45 percent split between the state and counties, in lieu of the Legislature placing a cap of \$103 million for all counties.

While we appreciate the TAT funds provided each county, the counties must again emphasize our right to a fair share of the TAT and believe that the 55-45 % split is fair.

Aloha and Mahalo,

Alan Arakawa, Mayor
County of Maui

Bernard P. Carvalho, Jr., Mayor
County of Kaua'i

Harry Kim, Mayor
County of Hawai'i

Kirk Caldwell, Mayor
City and County of Honolulu



Mayor Harry Kim
County of Hawaii
25 Aupuni Street
Hilo, Hawai'i 96720



Mayor Kirk Caldwell
City and County of Honolulu
530 South King Street, Rm. 306
Honolulu, Hawai'i 96813



Mayor Bernard Carvalho, Jr.
County of Kaua'i
4444 Rice Street
Lihue, Hawai'i 96766



Mayor Alan Arakawa
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793



LATE

Maui Hotel & Lodging
ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 1665

RELATING TO THE TRANSIENT ACCOMODATIONS TAX

COMMITTEE ON TOURISM

Tuesday, January 30, 2018, 9:00am

Conference Room 429

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

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 185 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 HB 1665, which amends the amount of transient accommodations tax revenues allocated to the counties from a specified sum to a percentage of the revenues collected.

MHLA believes our county governments should receive a more equitable amount of funding support from the state government. Repealing the cap and substituting it with a specific share of the revenues would be a significant step in achieving the above. 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 public safety.

MHLA recognizes and appreciates the efforts of all 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.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, County Revenue Sharing

BILL NUMBER: HB 1665; SB 2140 (Identical)

INTRODUCED BY: HB by Saiki by request; SB by Kouchi by request

EXECUTIVE SUMMARY: Specifies that the counties' share of the transient accommodations tax (TAT) is to be a percentage of collections, which is what it used to be

SYNOPSIS: 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;
- 45% to be distributed among the counties in specified percentages:
 - Kauai county, 14.5% (of the 45%);
 - 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.

EFFECTIVE DATE: July 1, 2018

STAFF COMMENTS: This bill is part of the package submitted by the Hawaii Council of Mayors.

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.

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.

The bill attempts to implement the working group's recommendation. Not surprisingly, it would mean many additional dollars – perhaps 50% more – collected by the state are sent to the counties.

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 1/26/2018

LATE

HB-1665

Submitted on: 1/26/2018 5:22:07 PM

Testimony for TOU on 1/30/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Nelisa Asato		Support	No

Comments:

LATE

HB-1665

Submitted on: 1/29/2018 8:13:33 PM

Testimony for TOU on 1/30/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Springer Kaye	Big Island Invasive Species Committee	Support	No

Comments:

LATE

HB-1665

Submitted on: 1/30/2018 5:35:27 AM
Testimony for TOU on 1/30/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Teresa Parsons		Support	No

Comments:

Give the fair share of proceeds from TAT to the counties who earned them