

DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

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

Date: Thursday, March 15, 2018
Time: 2:00 P.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 648, Proposed H.D. 1, Relating to Taxation

The Department of Taxation (Department) provides the following comments regarding S.B. 648, Proposed H.D. 1, for your consideration.

S.B. 648, Proposed H.D. 1, replaces the content of a carryover measure from the 2017 Legislative Session, and replaces it with an amendment to Hawaii Revised Statutes section 237D-6.5, resulting in an increased allocation of transient accommodations tax (TAT) to the counties. The bill is effective upon approval.

In addition to the \$103.0 million per year of TAT revenues allocated to the counties, S.B. 648, Proposed H.D. 1, allocates the following amounts to the respective counties for projects authorized under a county's general plan, development plan, or tourism strategic plan, from July 1, 2018 to December 31, 2030:

- \$9.4 million to Kauai County;
- \$12.1 million to Hawaii County; and
- \$14.8 million to Maui County.

Each county receiving the additional TAT revenues is required to provide a report detailing how the additional TAT moneys were expended to the legislature no later than 20 days prior to the convening of each regular session,.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Revenue Sharing

BILL NUMBER: SB 648, Proposed HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: This bill provides additional revenue sharing to the counties other than the City & County of Honolulu.

SYNOPSIS: Amends section 237D-6.5, HRS, such that beginning July 1, 2018, and ending December 31, 2030, the following amounts are allocated to the counties of Kauai, Hawaii, and Maui:

County	Allocation
Kauai	\$ 9,425,000
Hawaii	12,090,000
Maui	14,820,000

Moneys allocated are to be expended on projects authorized under a county's general plan, development plan, or tourism strategic plan. Requires reporting.

EFFECTIVE DATE: August 30, 2050; provided that: (1) Parts I and II shall apply to taxable years beginning after December 31, 2049; and (2) Part IV shall take effect on July 1, 2050.

STAFF COMMENTS: In law prior to 2009, the TAT was levied at the rate of 7.25% on most transient accommodations. Once collected, 44.8% of the tax, after satisfying specified earmarks, was distributed 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 working group met and issued a report to the 2015 legislature, and bills were drafted to adopt that recommendation. The bills did not pass.

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 3/13/2018

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

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

March 14, 2018

**AMENDED TESTIMONY OF MEL RAPOZO
COUNCIL CHAIR, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308**

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide comments on SB 648, SD1, Proposed HD1, Relating to Taxation. My testimony is submitted in my individual capacity as Chair of the Kaua'i County Council.

The additional TAT revenue will factor into Kaua'i County Council's budget deliberations for the upcoming fiscal year, but limits the expenditure of TAT funds to projects authorized under a county's general plan, development plan, or tourism strategic plan. Further, the counties will be required to submit annual reports on expenditures as justification for reimbursement from TAT revenues. I believe that Proposed HD1 has not been fully vetted and goes against government efficiency to require additional reporting that both the County and State do not have the resources to accomplish, both in the activity of reporting and the authority for evaluating those reports for compliance. I also believe that it is unfair that no additional allocation is proposed for the City & County of Honolulu, our sister county, who deals with similar issues on a larger scale than the neighbor island counties.

I would like to recommend that Proposed HD1 be amended to remove the restrictions on expenditure of TAT funds or, in the alternative, to allow expenses related to police and fire services as a reimbursable expenditure.

It is my hope that the Finance Committee will be able to craft alternative language that makes this process more feasible for everyone.

Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

A handwritten signature in black ink, appearing to read "Mel Rapozo", is written over a horizontal line.

MEL RAPOZO
Council Chair, Kaua'i County Council

VCOUNTY COUNCIL

Mel Rapozo, Chair
Ross Kagawa, Vice Chair
Arthur Brun
Mason K. Chock
Arryl Kaneshiro
Derek S.K. Kawakami
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March 14, 2018

AMENDED TESTIMONY OF DEREK S.K. KAWAKAMI
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide comments on SB 648, SD1, Proposed HD1, Relating to Taxation. 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 additional TAT revenue will factor into Kaua'i County Council's budget deliberations for the upcoming fiscal year, but limits the expenditure of TAT funds to projects authorized under a county's general plan, development plan, or tourism strategic plan. Further, the counties will be required to submit annual reports on expenditures as justification for reimbursement from TAT revenues. I believe that Proposed HD1 has not been fully vetted and goes against government efficiency to require additional reporting that both the County and State do not have the resources to accomplish, both in the activity of reporting and the authority for evaluating those reports for compliance. I also believe that it is unfair that no additional allocation is proposed for the City & County of Honolulu, our sister county, who deals with similar issues on a larger scale than the neighbor island counties.

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It is my hope that the Finance Committee will be able to craft alternative language that makes this process more feasible for everyone.

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:ct

COUNTY COUNCIL

Mel Rapozo, Chair
Ross Kagawa, Vice Chair
Arthur Brun
Mason K. Chock
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March 14, 2018

AMENDED TESTIMONY OF MASON K. CHOCK
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide comments on SB 648, SD1, Proposed HD1, Relating to Taxation. My testimony is submitted in my individual capacity as a Member of the Kaua'i County Council.

The additional TAT revenue will factor into Kaua'i County Council's budget deliberations for the upcoming fiscal year, but limits the expenditure of TAT funds to projects authorized under a county's general plan, development plan, or tourism strategic plan. Further, the counties will be required to submit annual reports on expenditures as justification for reimbursement from TAT revenues. I believe that Proposed HD1 has not been fully vetted and goes against government efficiency to require additional reporting that both the County and State do not have the resources to accomplish, both in the activity of reporting and the authority for evaluating those reports for compliance. I also believe that it is unfair that no additional allocation is proposed for the City & County of Honolulu, our sister county, who deals with similar issues on a larger scale than the neighbor island counties.

I would like to recommend that Proposed HD1 be amended to remove the restrictions on expenditure of TAT funds or, in the alternative, to allow expenses related to police and fire services as a reimbursable expenditure.

It is my hope that the Finance Committee will be able to craft alternative language that makes this process more feasible for everyone.

Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

MASON K. CHOCK
Councilmember, Kaua'i County Council

AMK:dmc

COUNTY COUNCIL

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March 14, 2018

**AMENDED TESTIMONY OF ARTHUR BRUN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308**

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide comments on SB 648, SD1, Proposed HD1, Relating to Taxation. My testimony is submitted in my individual capacity as a Member of the Kaua'i County Council.

The additional TAT revenue will factor into Kaua'i County Council's budget deliberations for the upcoming fiscal year, but limits the expenditure of TAT funds to projects authorized under a county's general plan, development plan, or tourism strategic plan. Further, the counties will be required to submit annual reports on expenditures as justification for reimbursement from TAT revenues. I believe that Proposed HD1 has not been fully vetted and goes against government efficiency to require additional reporting that both the County and State do not have the resources to accomplish, both in the activity of reporting and the authority for evaluating those reports for compliance. I also believe that it is unfair that no additional allocation is proposed for the City & County of Honolulu, our sister county, who deals with similar issues on a larger scale than the neighbor island counties.

I would like to recommend that Proposed HD1 be amended to remove the restrictions on expenditure of TAT funds or, in the alternative, to allow expenses related to police and fire services as a reimbursable expenditure.

It is my hope that the Finance Committee will be able to craft alternative language that makes this process more feasible for everyone.

Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

ARTHUR BRUN
Councilmember, Kaua'i County Council

VCOUNTY COUNCIL

Mel Rapozo, Chair
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March 14, 2018

**AMENDED TESTIMONY OF ROSS KAGAWA
COUNCIL VICE CHAIR, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308**

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide comments on SB 648, SD1, Proposed HD1, Relating to Taxation. My testimony is submitted in my individual capacity as Vice Chair of the Kaua'i County Council.

The additional TAT revenue will factor into Kaua'i County Council's budget deliberations for the upcoming fiscal year, but limits the expenditure of TAT funds to projects authorized under a county's general plan, development plan, or tourism strategic plan. Further, the counties will be required to submit annual reports on expenditures as justification for reimbursement from TAT revenues. I believe that Proposed HD1 has not been fully vetted and goes against government efficiency to require additional reporting that both the County and State do not have the resources to accomplish, both in the activity of reporting and the authority for evaluating those reports for compliance. I also believe that it is unfair that no additional allocation is proposed for the City & County of Honolulu, our sister county, who deals with similar issues on a larger scale than the neighbor island counties.

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It is my hope that the Finance Committee will be able to craft alternative language that makes this process more feasible for everyone.

Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

ROSS KAGAWA
Council Vice Chair, Kaua'i County Council

AMK:ct

VCOUNTY COUNCIL

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March 14, 2018

AMENDED TESTIMONY OF ARRYL KANESHIRO
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide comments on SB 648, SD1, Proposed HD1, Relating to Taxation. My testimony is submitted in my individual capacity as a Member of the Kaua'i County Council.

The additional TAT revenue will factor into Kaua'i County Council's budget deliberations for the upcoming fiscal year, but limits the expenditure of TAT funds to projects authorized under a county's general plan, development plan, or tourism strategic plan. Further, the counties will be required to submit annual reports on expenditures as justification for reimbursement from TAT revenues. I believe that Proposed HD1 has not been fully vetted and goes against government efficiency to require additional reporting that both the County and State do not have the resources to accomplish, both in the activity of reporting and the authority for evaluating those reports for compliance. I also believe that it is unfair that no additional allocation is proposed for the City & County of Honolulu, our sister county, who deals with similar issues on a larger scale than the neighbor island counties.

I would like to recommend that Proposed HD1 be amended to remove the restrictions on expenditure of TAT funds or, in the alternative, to allow expenses related to police and fire services as a reimbursable expenditure.

It is my hope that the Finance Committee will be able to craft alternative language that makes this process more feasible for everyone.

Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

ARRYL KANESHIRO
Councilmember, Kaua'i County Council

AMK:ct

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

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



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

March 14, 2018

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

FROM: Mike White
Council Chair

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

SUBJECT: **HEARING OF MARCH 15, 2018; TESTIMONY IN STRONG SUPPORT OF SB 648, SD1, HD1, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to allocate additional transient accommodations tax revenues to the counties of Kauai, Hawaii, and Maui.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

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 our TAT allocation, while expenses for fire, police and park services have increased by more than \$260 million. As a result of the cap on the counties share of TAT revenues and the growth of visitors, expenses related to providing services to visitors now must be covered by residents.
2. The recent special legislative session also impacted Neighbor Islands when a one-percent increase in the TAT tax was passed statewide to fund Honolulu's rail project. The Neighbor Islands did not receive any additional funds. This bill however, will help to bring parity among all four counties.
3. 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.

March 14, 2018

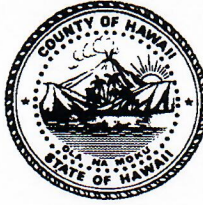
Page 2

4. As the counties have received less than a fair share of TAT revenues since the end of the recession, flexibility is needed to spend TAT revenues on priorities as deemed by each county. Similarly, the State has no restrictions on how the TAT allocated to the general fund is spent. Therefore, it is important that the restrictions be further evaluated.

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

ocs:proj:legis:18legis:18testimony:sb648_sd1_hd1_paf18-110_jgk

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 Sylvia Luke, Chair
And members of the Committee on Finance

March 14, 2018

Dear Chair Luke and Committee Members,

I thank you for the opportunity to provide testimony in strong support of SB 648, as amended to proposed HD1.

At today's meeting of the Hawai'i County Council, my colleagues and the County administration agreed that the proposed SB 648 HD1 is preferable to HB 1665 HD1, in that it provides more certainty for the counties' budget and finance departments in balancing revenue and expense projections for the next fiscal year.

I support, but will not repeat here, the many arguments you have already heard in favor of the counties increasing their share of the transient accommodations tax revenue to offset the impacts of visitors on county resources and at county facilities. I believe this bill goes a long way toward increasing fairness in tax allocations, improve visitor services, and allow for smarter growth.

Again, I thank you for the opportunity to provide testimony in support of proposed SB 648 SD1 HD1, and I ask for your approval. I also would like to take this opportunity to share how much I appreciate Chair Luke's leadership on difficult issues to balance competing interests for the betterment of the people of our State.

Aloha Piha,

A handwritten signature in black ink, appearing to read "Sue Lee Loy", with a large, stylized flourish extending to the right.

Sue Lee Loy
Council Member, District 3

SB-648-SD-1

Submitted on: 3/14/2018 2:27:13 PM

Testimony for FIN on 3/15/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Yuki Lei Sugimura	Individual	Support	No

Comments:

I support SB 648, SD1, HD1, Relating to Taxation, for the same reasons stated by Council Chair Mike White. The cap on the counties share of TAT revenues and the growth of visitors and its related expenses now must be covered by the residents. This bill will also bring parity among all four counties due to the one-percent increase in the TAT tax to fund Honolulu's rail project. On average, counties in Hawaii receive the lowest amount of taxes generated from hotel room revenues and excise tax, as compared to others nationwide.

Therefore, I support this bill which will allocate additional transient accommodations tax revenues to the Counties of Kauai, Hawaii, and Maui.

SB-648-SD-1

Submitted on: 3/14/2018 1:54:14 PM

Testimony for FIN on 3/15/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Sylvia Luke, Chair; the Honorable Ty J.K. Cullen, Vice-Chair and the Members of the Committee on Finance:

Good afternoon. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **SB648 Proposed HD1** relating to Transient Accommodations Tax; and the Counties.

The OCC Legislative Priorities Committee is in favor of **SB648 Proposed HD1** and supports its passage.

SB648 Proposed HD1 is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it allocates additional transient accommodations tax revenues from 7/1/2018 until December 31, 2030 to the counties of Kauai, Hawaii, and Maui.

The DPH Platform states that "[t]he Democratic Party of Hawai'i believes that the preservation and restoration of our natural environment is essential. We support a sustainable society that utilizes the earth in such a way that future generations will benefit from the practices of our generation. We support the restoration, preservation, and protection of our native ecosystems on each island. We believe in integrated approaches, practices, and support public policies that create and maintain a sustainable way of life in Hawai'i. (Platform of the DPH, P.8, Lines 407-411 (2016)).

The conservation, preservation and restoration of Hawaii's natural resources are connected to the health and welfare of our people; therefore, we support the conservation and protection of our natural environment, which includes reducing our carbon footprint for the benefit of current and future generations.

We support the protection of our 'aina against destruction by corporate, government, or military usage and expect full restoration and reparation of environmental damage. To handle current and future demands for water, we must assess the current condition of our aquifers and take appropriate actions to secure our fresh water resources.

We support democratic participation of citizens and residents to protect (i) valuable coastal ecosystems and reefs from misuse and (ii) beaches for public use and

recreation. The Hawai'i Coastal Zone Management (CZM) law, HRS Chapter 205A, currently provides for public participation in management of coastal resources.

We believe in the vigorous enforcement of our environmental laws and increased public-private stewardships and citizen involvement in protecting our resources.

We know that climate change is a real threat to our islands and the world. We strongly urge our candidates and elected officials to take immediate action to mitigate and adapt to the consequences of climate change. This includes funding adaptation measures including coastal retreat, effective participation of indigenous peoples in climate change governance, and recognition that indigenous, local, and traditional ecological knowledge is key in climate change adaptation solutions. (Platform of the DPH, P.8, Lines 417-439 (2016)).

Given that **SB648 Proposed HD1** allocates additional transient accommodations tax revenues from 7/1/2018 until December 31, 2030 to the counties of Kauai, Hawaii, and Maui for, among other things, \$3,000,000 shall be allocated to the special land and development fund established under section 171-19; provided that the allocation shall be expended in accordance with the Hawaii tourism authority strategic plan for: (A) The protection, preservation, maintenance, and enhancement of natural resources, including beaches, important to the visitor industry; (B) Planning, construction, and repair of facilities; and (C) Operation and maintenance costs of public lands, including beaches, connected with enhancing the visitor experience. In this light, it is the position of the OCC Legislative Priorities Committee to support this measure.

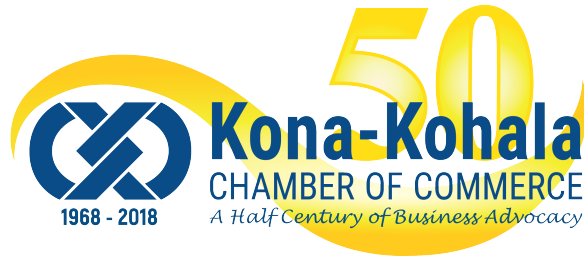
Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889



March 14, 2018

RE: SB648 SD1 Proposed HD1 RELATING TO TAXATION

Dear Representative Luke, Representative Cullen and Members of the House Finance Committee,

The Kona-Kohala Chamber of Commerce supports SB648 SD1 Proposed HD1 whereby additional annual funds of \$12,090,000 collected from the Transient Accommodations Tax (TAT) will be distributed to the County of Hawai'i beginning July 1, 2018 and ending December 31, 2030. This \$12,090,000 is in addition to the 18.6% of the \$103,000,000 allocation that is distributed to Hawai'i County annually.

The Kona-Kohala Chamber of Commerce believes these funds will assist the County of Hawai'i in maintaining roads, wastewater systems, parks and essential services used by both visitors and residents. The Chamber would like to see an equitable and adequate share of TAT for neighbor island counties as they deal with the impacts of the visitor industry in not only maintaining infrastructure and services, but also preparing for future growth.

The Kona-Kohala Chamber of Commerce exists to provide leadership and advocacy for a successful business environment in West Hawai'i. Our 501(c)(6) non-profit organization consists of 500 business members that represent a variety of industries and sectors including banking and financial services, construction and real estate, education and government, health and wellness, hospitality and tourism, retail and professional services, technology, tourism, transportation and more. We work to strengthen the local economy, represent business interest with government and promote our community.

Sincerely,

Wendy J. Laros
Executive Director, Kona-Kohala Chamber of Commerce



March 14, 2018

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Finance Committee
Hawaii State Legislature

Dear Representative Luke, Representative Cullen and Members of the House Finance Committee,

Testimony in Support of SB648 SD1 Proposed HD1

The Kohala Coast Resort Association (KCRA) is in full support of SB648 SD1 Proposed HD1, providing additional funds collected from the Transient Accommodations Taxes (TAT) to the County of Hawaii. We believe the proposed \$12,090,000 annually (for the period of July 1, 2018 to December 31, 2030), in addition to the 18.6% of \$103,000,000 allocated to the counties, (\$19,158,000 for the County of Hawaii) will help the county maintain roads, wastewater systems, parks and essential services used by both residents and visitors.

Long term, we believe that the counties should receive a more equitable split of overall TAT collections and support the recommendations of the TAT Working Group (proposed 45/55 split). As visitation grows statewide, with the largest increases on the neighbor islands, government entities at both the state and county levels should receive an adequate share of those funds to not only maintain services, but to invest in the necessary upgrades to our infrastructure that will impact our long term economic viability.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel accommodations and an equal number of resort residential units. This is approximately 35 percent of the accommodations available on the Island of Hawaii. KCRA member properties annually pay more than \$20 million in TAT and \$20 million in GET.

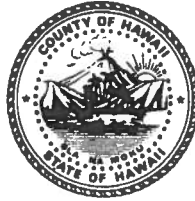
We encourage your support of this measure.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho
Administrative Director

DRU MAMO KANUHA
Council Member
District 7, Central Kona



PHONE: (808) 323-4267
FAX: (808) 323-4786
EMAIL: dru.kanuha@hawaiicounty.gov

HAWAI'I COUNTY COUNCIL

West Hawai'i Civic Center 74-5044 Ane Keohokālole Highway, Kailua-Kona, Hawaii 96740

March 14, 2018

LATE

TESTIMONY OF DRU KANUHA
COUNCIL MEMBER, HAWAI'I COUNTY COUNCIL
ON SB 648 SD 1 HD 1 PROPOSED, RELATING TO TAXATION
Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308

Aloha Chair Luke and Members of the Committee:

I thank you for the opportunity to testify in **support** on SB 648 SD 1 HD 1 proposed, relating to taxation. My testimony is submitted in my individual capacity as a member of the Hawai'i County Council and Chair of Governmental Relations and Economic Development Committee.

The purpose of this proposed measure allocates additional transient accommodations tax revenues from July 1, 2018 until December 31, 2030 to the counties of Kauai, Hawai'i, and Maui. The TAT was established to help counties fund visitor-related expenses and the impact they have to our county resources. This much needed funding will greatly assist our counties in addressing the financial impacts to our county resources and allow us to continue to serve local residents and visitors alike. As a result of the cap on the counties share of TAT revenue and the growth of visitors, expenses related to providing services to visitors now must be covered by residents. This bill however, will help to address this shortfall.

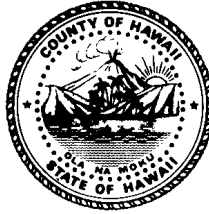
For the reasons stated above, I support this measure and urge the Committee on Finance to support this measure as well. Should you have any questions, please feel free to contact me at (808) 323-4267.

Mahalo for your consideration.

A handwritten signature in black ink that reads "Dru Kanuha".

Dru Kanuha
Council Member, Hawai'i County Council

Karen Eoff
Council Vice Chair
Council District 8 - North Kona



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Email: karen.eoff@hawaiiicounty.gov

HAWAI'I COUNTY COUNCIL

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Kailua-Kona, Hawai'i 96740

LATE

March 14, 2018

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance

Re: Testimony Supporting **SB648, HD1 Proposed**; Relating to Taxation
Hearing Date and Time: March 15, 2018 at 2:00 p.m., Conference Room 308

Dear Committee:

On behalf of myself and constituents of Council District 8, North Kona, support for the above referenced Bill is expressed, with testimony provided as follows:

This measure, will allocate \$12,090,000 in transient accommodations tax revenues to Hawai'i County, in addition to 18.6 percent of \$103,000,000.

This funding will assist Hawai'i County's impacts to resources. We need to continue to provide services to residents and visitors.

We strongly urge the Committee on Finance to support this measure.

Sincerely,

KAREN EOFF, Council Vice Chair
Council District 8, North Kona

KE.wpb

LATE

SB-648-SD-1

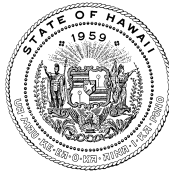
Submitted on: 3/14/2018 5:48:25 PM

Testimony for FIN on 3/15/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Keani Rawlins-Fernandez	Individual	Support	No

Comments:

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
DIRECTOR

KEN N. KITAMURA
ACTING DEPUTY DIRECTOR

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

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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

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

**TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 648, S.D. 1, PROPOSED H.D. 1**



**March 15, 2018
2:00 p.m.
Room 308**

RELATING TO TAXATION

Senate Bill No. 648, S.D. 1, Proposed H.D. 1, allocates additional amounts of Transient Accommodations Tax (TAT) revenues to the counties of Kaua'i, Hawai'i, and Maui from July 1, 2018 to December 30, 2030, to fund projects authorized under a county's general plan, development plan, or tourism strategic plan.

The Department of Budget and Finance offers the following comments on this measure.

First, the State budget funds programs and facilities including public schools, university campuses, hospitals, jails and prisons that, in other jurisdictions, are typically administered and funded by counties. Thus, the Department would prefer that unallocated TAT revenues remain with the State and continue to support such purposes. It should also be noted that the counties have the authority to raise local revenues and issue their own bonds should they need additional funding for capital projects.

Second, the proposed additional TAT revenue allocations to the counties equates to a State general fund revenue loss of \$36,335,000 in each fiscal year, negatively impacting the Administration's and Legislature's ability to address State fiscal downturns and urgent unbudgeted needs should they arise.

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

March 14, 2018

TO: Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Stacy Helm Crivello
Councilmember

A handwritten signature in cursive script, appearing to read "Stacy Helm Crivello".

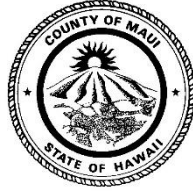
DATE: Thursday, March 15, 2018

SUBJECT: **SUPPORT OF SB 648 S.D. 1, H.D. 1, RELATING TO TAXATION**

Proposed HD1 allocates additional transient accommodations tax revenues from 7/1/2018 until December 31, 2030 to the counties of Kauai, Hawaii, and Maui. Sunset 12/31/2030.

I **strongly support** SB 648 SD1,HD1 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to support this measure.

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

March 15, 2018



TESTIMONY OF ALAN M ARAKAWA
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON FINANCE

Thursday, March 15, 2018
2:00PM Conference Room 308

SB648, SD1, PROPOSED HD1 REALTING TO TAXATION.

Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

Thank you for this opportunity to testify in **STRONG SUPPORT OF SB648 proposed HD1.**

The purpose of this bill allocates additional transient accommodations tax revenues from 7/1/2018 until 12/31/2030 to the counties of Kaua'i, Hawai'i and Maui.

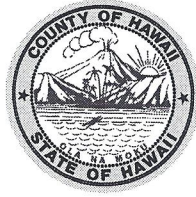
As you are aware, the counties perform many government services that have been impacted by the growth of the tourism industry such as police, fire, ocean safety, parks and transportation services. This bill will be very helpful in supporting these services.

For these reasons, I **strongly support SB648 proposed HD1.**

Respectfully yours,

Alan M Arakawa
Mayor

Maile Medeiros David
Council District 6
Portion N. S. Kona/Ka'ū /Volcano



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HAWAI'I COUNTY COUNCIL

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Kailua-Kona, Hawai'i 96740

LATE

March 14, 2018

TESTIMONY OF MAILE DAVID
Councilmember, Hawai'i County Council, Council District 6
Re: SB 648 SD1 HD1 PROPOSED, Relating to Taxation
Committee on Finance
Thursday, March 15, 2018
Time: 2:00 p.m., Conference Room 308

Aloha Honorable Sylvia Luke, Chairperson
And Members of the Committee on Finance

Mahalo a nui loa for the opportunity to submit testimony in support of SB 648 SD1 HD1 PROPOSED, relating to taxation. I convey my support as Hawai'i County Councilmember, Council District 6 (South Kona, Ka'u, and Volcano Village), and as Chair of the Finance Committee and the Human Services and Social Services Committee.

The proposal outlined in SB 648 SD1 HD1 allocating additional transient accommodations tax revenues from July 1, 2018 until December 31, 2030 will be extremely beneficial to the citizens of Hawai'i County as well as other counties in the State. Hawai'i County is a very popular tourist destination because of its many natural resources, it's cultural and historic significance, vast open spaces, agricultural diversity, and venue for world-wide events. While this ever-increasing interest in Hawai'i island is beneficial to our island's economy, it also results in substantial impacts to our island's infrastructure and public services.

The proposal to allocate additional transient accommodations tax revenues as contained in SB 648 SD1 HD1 will greatly improve Hawai'i County's ability to accommodate the increased number of visitors, address the rising cost and expense of providing adequate services to our visitors, address much needed infrastructure improvement and maintenance, and have a huge positive impact on the quality of life of our citizens.

I submit my strong support of SB 648 SD1 HD1 and respectfully request that the Finance Committee favorably consider approval.

Mahalo a nui loa.

Maile David, Councilmember
Council District 6

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

March 15, 2018

TESTIMONY OF JOANN A. YUKIMURA
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 648, SD1, HD1, RELATING TO TAXATION
House Committee on Finance
Thursday, March 15, 2018
2:00 p.m.
Conference Room 308



Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide testimony re SB 648, SD1, Proposed HD1, Relating to Taxation. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council.

After discussion on the Council floor at our regular council meeting today re HB 1665 HD1 and a careful reading of the proposed SB 648, SD1, HD1 which came to us yesterday, here are my thoughts:

I support the sharing of additional transient accommodation tax (TAT) revenues with neighbor island counties. The neighbor island counties shoulder a large portion of the cost of supporting and ensuring a quality visitor experience which is critical to a sustainable visitor industry. Our county roads, parks police, emergency and water safety services are all utilized by visitors. Events such as the Mokihaana Festival, Waimea Town Celebration, bon dances and the Farm Bureau Fair also provide a wide variety of cultural and community events that enhance the visitor experience. Using TAT monies to support these services makes eminent sense. Above all, TAT monies should be used to offset the impacts that visitors have on our islands, which in turn supports residents by making our community more functional and our residents less resentful.

My strong concerns about SB 648 SD1 HD1 are as follows:

1. It is not clear where the additional \$36 million proposed for neighbor island counties will come from—i.e., it does not appear that it will come from TAT revenues, and we need to know what is the proposed source and who and how people will be affected.

Chair Luke and Members of the Committee
Re: Testimony on SB 648, SD1, HD1
March 15, 2018
Page 2

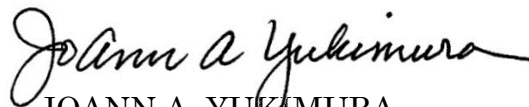
2. It is not clear that the counties will be able to use the monies to pay for parks, police, emergency medical and water safety operations that serve the visitors. According to the wording of the subject bill, the monies will be usable for “projects authorized under a county’s general plan, development plan or tourism strategic plan.” To my knowledge none of the plans “authorize” any projects, and the word, “projects” arguably does not include “operations.” This needs to be clarified. Any law that doesn’t allow the additional monies to be used for basic services related to visitors does not help the counties.

For the reasons stated above, **I urge the House Committee on Finance to amend the SB 648 SD1 to clarify:**

1. **that the additional monies to the neighbor island counties will come from TAT revenues that are presently allocated to the State’s general fund; and**
2. **That those monies can be used for any and all services related to paying for and alleviating visitor impacts to the community or the county budget, supporting and/or creating community events that support culture and arts for visitors and residents, appropriate visitor promotions and education, and alternative economic develop to diversify the economy.**

Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,



JOANN A. YUKIMURA
Councilmember, Kaua’i County Council

AMK:dmc

VALERIE T. POINDEXTER

*Council Chairwoman & Presiding Officer
Council District 1*



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Fax: (808) 961-8912
Email: vpoindexter@co.hawaii.hi.us

HAWAI'I COUNTY COUNCIL

*County of Hawai'i
Hawai'i County Building
25 Aupuni Street, Suite 1402
Hilo, Hawai'i 96720*

LATE

March 14, 2018

House Committee on Finance

Sylvia Luke, Chair

Ty J.K. Cullen, Vice Chair

Email: repluke@Capitol.hawaii.gov

Email: repcullen@Capitol.hawaii.gov

Subject: Testimony Supporting SB648 SD1 HD1 PROPOSED, Relating to Taxation
Hearing: March 15, 2018, 2:00 P.M., Room 308

Dear Representatives:

On behalf of myself and the constituents of Council District 1 in Hāmākua, County of Hawai'i, I would like to express our support of SB648 SD1 HD1 PROPOSED, and submit a brief testimony as follows:

This bill allocates additional transient accommodations tax revenues from 7/1/2018 until December 31, 2030 to the counties of Kaua'i, Hawai'i, and Maui. Sunset 12/31/2030.

I strongly support and urge the enactment of SB648 SD1 HD1 PROPOSED. Thank you for your time and consideration.

Sincerely,

Valerie T. Poindexter
Hawai'i County Council Chairwoman
District 1, Hāmākua

Maile Medeiros David
Council District 6
Portion N. S. Kona/Ka'ū /Volcano



Phone: (808) 323-4277
Fax: (808) 329-4786
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HAWAI'I COUNTY COUNCIL

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74-5044 Ane Keohokalole Hwy.
Kailua-Kona, Hawai'i 96740

LATE

March 14, 2018

TESTIMONY OF MAILE DAVID
Councilmember, Hawai'i County Council, Council District 6
Re: SB 648 SD1 HD1 PROPOSED, Relating to Taxation
Committee on Finance
Thursday, March 15, 2018
Time: 2:00 p.m., Conference Room 308

Aloha Honorable Sylvia Luke, Chairperson
And Members of the Committee on Finance

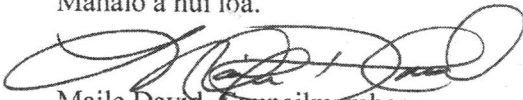
Mahalo a nui loa for the opportunity to submit testimony in support of SB 648 SD1 HD1 PROPOSED, relating to taxation. I convey my support as Hawai'i County Councilmember, Council District 6 (South Kona, Ka'u, and Volcano Village), and as Chair of the Finance Committee and the Human Services and Social Services Committee.

The proposal outlined in SB 648 SD1 HD1 allocating additional transient accommodations tax revenues from July 1, 2018 until December 31, 2030 will be extremely beneficial to the citizens of Hawai'i County as well as other counties in the State. Hawai'i County is a very popular tourist destination because of its many natural resources, it's cultural and historic significance, vast open spaces, agricultural diversity, and venue for world-wide events. While this ever-increasing interest in Hawai'i island is beneficial to our island's economy, it also results in substantial impacts to our island's infrastructure and public services.

The proposal to allocate additional transient accommodations tax revenues as contained in SB 648 SD1 HD1 will greatly improve Hawai'i County's ability to accommodate the increased number of visitors, address the rising cost and expense of providing adequate services to our visitors, address much needed infrastructure improvement and maintenance, and have a huge positive impact on the quality of life of our citizens.

I submit my strong support of SB 648 SD1 HD1 and respectfully request that the Finance Committee favorably consider approval.

Mahalo a nui loa.



Maile David, Councilmember
Council District 6

*Serving the Interests of the People of Our Island
Hawai'i County Is an Equal Opportunity Provider And Employer*

Karen Eoff
Council Vice Chair
Council District 8 - North Kona



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Email: karen.eoff@hawaiiicounty.gov

HAWAI'I COUNTY COUNCIL

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Kailua-Kona, Hawai'i 96740

LATE

March 14, 2018

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance

Re: **Testimony Supporting SB648, HD1 Proposed**; Relating to Taxation
Hearing Date and Time: March 15, 2018 at 2:00 p.m., Conference Room 308

Dear Committee:

On behalf of myself and constituents of Council District 8, North Kona, support for the above referenced Bill is expressed, with testimony provided as follows:

This measure, will allocate \$12,090,000 in transient accommodations tax revenues to Hawai'i County, in addition to 18.6 percent of \$103,000,000.

This funding will assist Hawai'i County's impacts to resources. We need to continue to provide services to residents and visitors.

We strongly urge the Committee on Finance to support this measure.

Sincerely,

KAREN EOFF, Council Vice Chair
Council District 8, North Kona

KE.wpb