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David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

Hawai'i Tourism Authority
before the
HOUSE COMMITTEE ON FINANCE

Wednesday, February 19, 2020
4:00 PM
State Capitol, Conference Room #308

In consideration of
HOUSE BILL NO. 1944 HD1
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Chair Luke, Vice Chair Cullen, and members of the Committee on Finance: the Hawai'i Tourism Authority (HTA) **supports** House Bill 1944 HD1, which allocates funds from the Transient Accommodations Tax (TAT) revenue to HTA, rather than the Special Land and Development Fund, to improve certain state resources and services. It requires the Department of Land and Natural Resources (DLNR) to submit an annual list to HTA of proposed projects for the HTA Strategic Plan. It also requires HTA to submit an annual report of certain projects undertaken in accordance with the HTA Strategic Plan.

HTA supports additional investment into our natural resources and protecting the environment because this is vital to our home and the future of our way of life. We believe that safe, secure and well-maintained community infrastructure is essential to the quality of life for our residents and visitors who use state parks, trails, and beaches. Providing additional funding for projects that relate to our Strategic Plan will allow further development and support of programs that will have a positive impact on these facilities.

HTA has been very supportive of programs that are in alignment with the purpose of these additional funds. DLNR is currently allocated \$3 million from the TAT, and HTA allocates an additional \$1.8M to collaborative projects with DLNR. If this bill is approved, we will work closely with DLNR to ensure these funds are expended in an efficient and effective manner.

It is for these reasons that HTA **supports** HB1944 HD1. We appreciate this opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR OF
HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the House Committee on
FINANCE**

**Wednesday, February 19, 2020
4:00 PM
State Capitol, Conference Room 308**

**In consideration of
HOUSE BILL 1944 HOUSE DRAFT 1
RELATING THE TRANSIENT ACCOMMODATIONS TAX**

House Bill 1944, House Draft 1 proposes to allocate funds from Transient Accommodations Tax (TAT) revenue to the Hawai'i Tourism Authority (HTA), rather than the Special Land and Development Fund of the Department of Land and Natural Resources (Department), to improve certain state resources and services. This bill also proposes to require the Department to submit an annual list to HTA of proposed projects for the HTA Strategic Plan, and to require HTA to submit an annual report of certain projects undertaken in accordance with the HTA Strategic Plan. **The Department opposes this measure.**

The Department's current allocation of \$3,000,000 pursuant to Section 237D-6.5, Hawai'i Revised Statutes (HRS), is apportioned among the Division of State Parks, the Division of Conservation and Resources Enforcement, and the Office of Conservation and Coastal Lands.

The Legislature's desire to allocate funds to the HTA for improving certain state facilities in accordance with the authority's strategic plan as noted in the measure would greatly impact the Department as the current uses of these funds support public health and safety, enforcement and protection of shoreline and state waters heavily used by both residents and visitors to our Islands. These projects invariably comport with the authority's strategic plan in that the focus is on high visitor use areas.

The counties collectively are allocated \$103 million dollars in TAT revenue to offset the tourism impacts on county infrastructure and there is no requirement of them to submit the expenditure of these funds to HTA for approval based on the authority's strategic plan.

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

The Department is the largest landowner in the state and while not responsible for the high percentage of infrastructure that the counties manage, the impacts of the visitor industry are mounting on the natural and cultural resources and recreational infrastructure.

Given the huge reliance of the visitor industry of the Department's natural and cultural resources in marketing and advertising and given the increase in tourism visitation and the sensitivity of the natural and cultural resources, the Department believes it best knows where to deploy the funds to maintain these attractive sights and locations and continues to consult the HTA strategic plan for guidance.

These impacts and the associated need for management are not project specific but simply require greater management capacity. The Department prefers the flexibility to utilize tourism related funding in areas frequented by visitors on an as needed basis for various forms of management instead of project specific, and free of an additional bureaucratic layer.

The Department recommends the following amendments:

1. Sections 171-19 (a), 201B-13(a), and 201B-16, HRS, be left unamended in this measure; and
2. Section 237D-6.5(b), HRS, be amended as follows:

(b) Except for the revenues collected pursuant to section 237D-2(e), revenues collected under this chapter shall be distributed in the following priority, with the excess revenues to be deposited into the general fund:

- (1) \$1,500,000 shall be allocated to the Turtle Bay conservation easement special fund beginning July 1, 2015, for the reimbursement to the state general fund of debt service on reimbursable general obligation bonds, including ongoing expenses related to the issuance of the bonds, the proceeds of which were used to acquire the conservation easement and other real property interests in Turtle Bay, Oahu, for the protection, preservation, and enhancement of natural resources important to the State, until the bonds are fully amortized;
- (2) \$16,500,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;
- (3) \$79,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:
 - (A) Beginning on July 1, 2012, and ending on June 30, 2015, \$2,000,000 shall be expended from the

tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

- (B) Of the \$79,000,000 allocated:
 - (i) \$1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance; and
 - (ii) 0.5 per cent of the \$79,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and
 - (C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency special fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of \$5,000,000 in the tourism emergency special fund;
- (4) \$103,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and
- (5) \$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[-]; and
- (D) A report shall be submitted to the legislature no later than twenty days prior to the convening of the next regular session detailing costs and expenses incurred in the development, implementation, or support of the strategic plan pursuant to this paragraph.

Thank you for the opportunity to comment on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMODATIONS, Reallocates TAT Earmarks

BILL NUMBER: HB 1944, HD-1

INTRODUCED BY: House Committee on Tourism and International Affairs

EXECUTIVE SUMMARY: Allocates funds from TAT revenue to the Hawaii Tourism Authority, rather than the Special Land and Development Fund, to improve certain state resources and services. Requires DLNR to submit an annual list to HTA of proposed projects for the HTA Strategic Plan. Earmarks in general decrease transparency and accountability, and should be avoided.

SYNOPSIS: Amends section 201B-13, HRS, to require DLNR to submit to HTA a list of proposed projects that relate to the strategic plan by July 1 annually.

Amends section 237D-6.5, HRS, to change the earmark from the special land and development fund to HTA, and to change the amount from \$3 million to \$5 million.

EFFECTIVE DATE: July 1, 2099.

STAFF COMMENTS: As with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether too little or too much revenue has been diverted from other priorities in the state budget.

If the legislature deems the programs and purposes funded by this special fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers would have to evaluate the real or actual needs of each program.

Digested 2/16/2020



February 10, 2020

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

Comments on HB1944 HD1

Dear Representatives Luke, Cullen and Members of the House Committee on Finance.

Thank you for the opportunity to provide comments on HB1944.

Thank you for the opportunity to provide testimony in support of HB1944.

The Kohala Coast Resort Association (KCRA) is in support of appropriating \$5,000,000 in funds to the Hawaii Tourism Authority (HTA) to help support natural resources protection, preservation and maintenance. This partnership between HTA and the Department of Land and Natural Resources will help expand HTA's Aloha Aina efforts.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. This is approximately 35 percent of the accommodations available on the Island of Hawai'i. KCRA member properties annually pay more than \$20 million in TAT, \$20 million in GET and \$11 million in property taxes.

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