



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

Testimony of **Ford Fuchigami**
Administrative Director, Office of the Governor

Before the
House Committee on Tourism & International Affairs
February 5, 2019
9:00 a.m., Conference Room 312

In consideration of
House Bill No. 983
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Chair Onishi, Vice Chair Holt, and committee members:

Thank you for the opportunity to provide comments in Support for **House Bill 983** which increases the percent distribution of transient accommodations tax revenues to the counties and provides additional funding to support natural resources program.

The tourism industry in Hawaii is hitting a record number of visitors year after year. These visitors and residents are seeking to experience our state parks, beaches, hiking trails, and the many other natural resources Hawaii has to offer. The increase in demand naturally diminishes the quality of these resources and we must properly fund the agencies responsible for protection and maintenance.

The administration would like to work together with the counties as equal partners to move our State forward. By taking care of our natural resources, we can continue to have a fruitful visitor industry and live in a place where residents are proud to call home.

We defer specific comments to testimony submitted separately by the Department of Budget & Finance.

We appreciate your attention and will be available to answer your questions, should you have any at this time.

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
TOURISM & INTERNATIONAL AFFAIRS**

**Tuesday, February 5, 2019
9:00 AM
State Capitol, Conference Room 312**

**In consideration of
HOUSE BILL 983
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

House Bill 983 proposes to amend Section 237D-6.5, Hawaii Revised Statutes, to increase the distribution of state tax revenues derived from the Transient Accommodations Tax (TAT) to support natural resources programs, and replace the fixed appropriation amount with a percent distribution to each county. **The Department of Land and Natural Resources (Department) strongly supports this Administrative measure.**

As the State's largest single land owner with multiple mandates to protect both natural and cultural resources, which is a significant attraction for the tourism industry, the nexus for diverting and allocating a greater portion of the transient accommodation tax (TAT) for enhancing the management of these resources is clear and crucial.

Recent data indicates that Hawaii was visited by approximately 9.9 million visitors over the past year – record setting patronage that is impacting sensitive natural, cultural and historic park resources, hiking trails and access roads, and ocean and coastal resources and waters. Impacts are exacerbated by a dire lack of staffing and operating funds to fulfill statutory mandates for resource protection and to improve upon both public safety and the public experience in these now heavily visited resource attractions.

Park infrastructure is aging and absent sufficient operating funds repair and maintenance is deferred while patronage is increasing. Specific and popular hiking trails are over patronized with insufficient parking and maintenance staff to repair impacts from increased erosion from pedestrian traffic, beaches and coastal marine resources are becoming more popular as well with new trends in ocean recreation and the suppressed desire of authorized and managed beach

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

camping. This increase is a great strain on department law enforcement who is increasingly challenged to insure authorized use and reduce criminal activity. Cars at trailheads and state parks are subject to theft, vandalism, illicit group activities, and hiking in unauthorized and closed locations due to social media promotion is increasing.

These impacts and lack of current fiscal resources for key department programs justifies the allocation for two primary reasons:

1. The natural and cultural resources are being compromised due to insufficient capacity to manage - coupled with the increase in patronage and use; and
2. The branding of Hawaii as a scenic and attractive resource destination may suffer and compromise its competitive edge on the global marketplace where the trends in consumer travel favor locations with comparable and more pristine resources.

Reinvestment in the Department's natural and cultural assets is both the right thing to do for the litany of resource issues – and makes sound economic sense to preserve and improve upon the basis of Hawaii's tourist economy.

While there is emerging agreement and further discussion needed as to what the limits of this industry should be when compared to community and resource impact- it is prudent to utilize this surge in patronage and subsequent increase to the TAT to offset impact and improve resources and ultimately local resident and out of state visitor experience.

Thank you for the opportunity to comment on this measure.



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaiiauthority.org

David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

LATE

Hawai'i Tourism Authority
before the
HOUSE COMMITTEE ON TOURISM & INTERNATIONAL AFFAIRS

Tuesday, February 5, 2019
9:00 AM
State Capitol, Conference Room #312

In consideration of
HOUSE BILL NO 983
RELATING TO TRANSIENT ACCOMMODATIONS TAX.

Chair Onishi, Vice Chair Holt, and members of the House Committees on Tourism and International Affairs: The Hawai'i Tourism Authority (HTA) **offers comments on** House Bill 983, which makes technical amendments to the appropriation of funds within the Tourism Special Fund, increases the appropriation of transient accommodations tax (TAT) revenue to and widens the purpose of the Special Land and Development Fund, and modifies the appropriation of TAT revenue from a fixed amount to a percent distribution.

HTA believes that a safe, secure and well-maintained community infrastructure is essential to the quality of life for residents and visitors who use our parks, trails, and beaches. Providing additional funding to the Department of Land and Natural Resources (DLNR) through the special land and development fund, with the focus of using those funds to improve Hawai'i's trails, parks and beaches, is one method to address management of our state's natural resources, which is paramount to the Hawai'i brand.

HTA **offers these comments on** House Bill 983. We appreciate this opportunity to provide testimony.

COUNTY COUNCIL
Arryl Kaneshiro, Chair
Ross Kagawa, Vice Chair
Arthur Brun
Mason K. Chock
Felicia Cowden
Luke A. Evslin
KipuKai Kualii



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

February 4, 2019

TESTIMONY OF FELICIA COWDEN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
HB 983, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX
House Committee on Tourism & International Affairs
Tuesday, February 5, 2019
9:00 a.m.
Conference Room 312

Dear Chair Onishi and Members of the Committee:

Thank you for this opportunity to provide comments on HB 983, Relating to The Transient Accommodations Tax. My testimony is submitted in my individual capacity as a Member of the Kaua'i County Council.

The language in HB 983 is unclear as to raising or lowering of the Counties' shares of the Transient Accommodations Tax (TAT). As written, it now gives an unspecified amount now utilizing the phrase "the remainder."

If it almost certainly results in a greater amount than what the Counties currently receive, I would **support** the change. It looks like it most likely will be an increase. The County of Kaua'i has a great number of infrastructure projects that need upgrading. Our visitor numbers have increased and are subsequently creating higher uses and impacts on our parks, parking, first responders, rubbish collection, and other services. If this flexible wording will allow a proportionate expansion of services, it is a good pathway. My concern is if the list of prioritized and guaranteed payments is adapted to increase, the "remainder" wording has the potential to shortchange County budget planning. Kaua'i's visitor numbers range roughly 20% to 30% of our overall population and the visitor industry needs to be appropriately contributing to our County costs.

Thank you again for this opportunity to provide comments on HB 983. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

FELICIA COWDEN
Councilmember, Kaua'i County Council

AMK:aa

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Amend Earmarks

BILL NUMBER: HB 983; SB 1209 (Identical)

INTRODUCED BY: HB by SAIKI by request; SB by KOUCHI by request

EXECUTIVE SUMMARY: Amends section 237D-6.5 to increase the distribution of state tax revenues to support natural resources programs and replaces the fixed appropriation amount with a percent distribution to each county. Earmarks used in this fashion undermine transparency and accountability, and should be curtailed.

SYNOPSIS: Amends section 237D-6.5, HRS, to increase the allocation of TAT monies to the special land and development fund to \$10 million, and to make it fourth in priority (it is fifth now).

Also changes the amount distributed to the counties from a fixed \$103 million to 23.1% of the amount remaining after the first four earmarks have been satisfied.

EFFECTIVE DATE: January 1, 2020.

STAFF COMMENTS: This is an administration measure sponsored by the Department of Budget and Finance and designated BUF-21 (19).

There is a critical error in the bill as it is now drafted. Section 2 of the bill recites that it is amending HRS section 237D-6.5(b), but it omits entirely the existing flush language between the beginning of subsection (b) and the start of paragraph (1). The flush language states that any monies remaining after the earmarks have been satisfied goes into the general fund. Omission of that language, therefore, would cause about \$350 million per year to go into stasis.

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) \$16.5 million is deposited into the convention center enterprise special fund; (3) \$79 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 special land and development fund and would perpetuate the earmarking of TAT revenues. Most of us understand that protection of natural resources 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 2/2/2019



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 983

Relating To The Transient Accommodations Tax

COMMITTEE ON TOURISM AND INTERNATIONAL AFFAIRS

Tuesday, February 5, 2019, 9:00 am

Conference Room 312

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

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 195 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 is **in support of HB 983**, which amends section 237D-6.5 to increase the distribution of state tax revenues to support natural resources programs, replaces the fixed appropriation amount with a percent distribution to each county.

MHLA is in support of more funding to protect our precious natural resources.

Additionally, 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.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
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 RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON TOURISM AND INTERNATIONAL AFFAIRS
ON
HOUSE BILL NO. 983

**February 5, 2019
9:00 a.m.
Room 312**



RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill (H.B.) No. 983 amends Section 237D-6.5 to revise the allocations of Transient Accommodations Tax (TAT), including: setting new requirements for the \$79,000,000 allocation to the Tourism Special Fund; increasing the allocation to the Special Land and Development Fund from \$3,000,000 to \$10,000,000; and changing the allocation to the counties from a fixed amount of \$103,000,000 to 23.1% of net TAT revenues after the various fixed distributions.

The Department of Budget and Finance strongly supports this measure to:

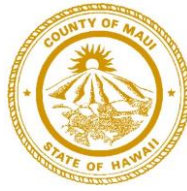
- a) provide additional funding for State programs that manage and protect Hawaii's natural resources, such as hiking trails and forest reserves; and
- b) change the annual support for county services and infrastructure impacted by visitors from a specified dollar amount of \$103 million to a percentage of TAT revenues. The State's natural resources play a significant role in attracting visitors to Hawaii and the county services and infrastructure allow us to accommodate them during their stay. It is important to invest in maintaining existing resources and infrastructure to ensure Hawaii's visitor industry continues to thrive into the future.

The department estimates that H.B. No. 983 will reduce general fund revenues by \$23.4 million in FY 20 and by \$29.7 million in FY 21 and that the annual impact to general fund revenues will continue to increase in FY 22 and beyond if TAT revenues continue to increase as projected.

Thank you for your consideration of our comments.

Michael P. Victorino
Mayor

Sananda K. Baz
Acting Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

February 4, 2019

LATE

The Honorable Richard H.K. Onishi, Chair
House Committee on Tourism & International Affairs

Dear Representative Onishi, and Committee Members:

Re: Hearing of February 5, 2019; **COMMENTS** on **HB 983**,
Relating to Transient Accommodations Tax

Thank you for the opportunity to **offer comments** on **HB 983**. This important measure replaces the fixed TAT appropriation amount and allocates a percent distribution to each county.

The latest annual visitor report from the Department of Business, Economic Development & Tourism (DBEDT) shows more visitors are staying in Maui County each year, and spending more time and money in our local economy. However, the counties are not sharing with the State of Hawaii, the increase in revenues from the growth in tourism.

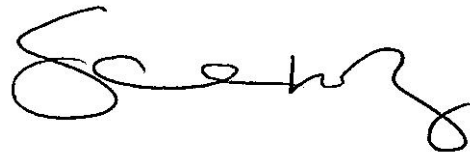
Maui County's tourism related expenditures for infrastructure and services, such as fire safety, police, parks, and lifeguards are also rising, but at a pace far exceeding what the counties are allocated by the TAT. This has resulted in residents picking up the cost of visitor related expenditures, despite visitors paying their fair share of expenses.

I support the intent of replacing the TAT revenue allocations to the counties with a proposal that fairly allocates revenues to Maui County based on visitor related expenditures and growth in tourism. However, I believe the language of **HB 517** will more adequately fund Maui County's tourism related expenses.

February 4, 2019
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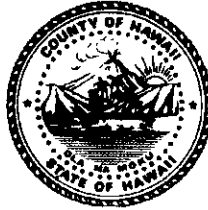
Mahalo for your consideration of **HB 983**.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Sandy Baz". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

SANDY BAZ
Acting Mayor
County of Maui

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA. 74-5044 Ane Keohokālole Hwy, Bldg C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

February 4, 2019

LATE

Rep. Richard H.K. Onishi, Chair
COMMITTEE ON TOURISM & INTERNATIONAL AFFAIRS
Hawai'i State Legislature

Dear Chair Onishi and Committee members:

RE: HB 983, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Thank you for this opportunity to testify in support of HB 983, the Governor's initiative dealing with the ongoing issue of fair distribution of revenue generated by the transient accommodations tax.

HB 983 points out that "a portion [of] these state tax revenues have been shared with our local county jurisdictions in recognition of the impact that the visitor industry has on county provided services, such as police, fire, emergency medical system, and essential infrastructure." One of the bill's purposes is to "maintain annual support for county services impacted by our visitor industry." That is recognition we welcome. The remaining question, however, is whether counties would be helped or hurt by the proposed formula in the bill.

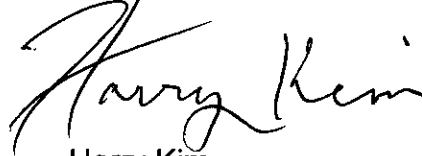
HB 983 would maintain the proportionate shares of the TAT among the counties, and for that we are grateful. To do otherwise would pit one county against another and undoubtedly be destructive.

The other positive aspect of HB 983 is that it would restore a percentage distribution of the TAT to the four counties. This is a request we have made for years, and we believe it is the fairest approach; State and counties should share the burden in bad times and the benefits when the economy is good. So we are appreciative of this provision.

Our apprehension, however, is with the total allocation to the counties, which (we believe for the first time) would be limited to "Of the remaining revenues, 23.1 per

cent...” Under that formula, by the calculations of the State Administration, the counties will receive more revenue than at present. While we have some concern about the State’s assumptions, we will support HB 983, and trust that this issue can be revisited if the counties’ revenues turn out to be inadequate.

Sincerely,

A handwritten signature in black ink that reads "Harry Kim". The signature is written in a cursive, flowing style.

Harry Kim
Mayor