

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
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)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 321, H.D. 1

February 25, 2021
12:00 p.m.
Room 308

RELATING TO TRANSIENT ACCOMMODATIONS TAX

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 321, H.D. 1.

H.B. No. 321, H.D. 1, amends Section 237D-6.5, HRS, to change the allocations of the Transient Accommodations Tax (TAT) for the Convention Center Enterprise Special Fund and the Tourism Special Fund (TSF) to unspecified amounts; to repeal the allocations of TAT for the Turtle Bay Conservation Easement Special Fund (TBCESF), the operation of a Hawaiian Center and Museum of Hawaiian Music and Dance, the sub-account within the TSF for a safety and security budget, the counties, and the Special Land and Development Fund; and to amend Sections 87A-42, 171-19, 171-171, 171-172, 184-3.4, and 198D-2, HRS, to repeal associated language that references the allocations.

B&F appreciates the intent of H.B. No. 321, H.D. 1; however, it has concerns that the TBCESF will not be able to reimburse the general fund for payment of debt service on reimbursable general obligation bonds issued to acquire the conservation easement

without its TAT allocation. B&F would also like to note that it prefers the language in Administration Proposal BUF-20(21) (H.B. No. 933), which would temporarily repeal subsection 87A-42(d) as part of the suspension of the requirement for public employers to make Annual Required Contribution payments for other post-employment benefits through FY 25, and BUF-27(21) (H.B. No. 939), which would temporarily decrease the total TAT allocation to the counties from \$103,000,000 to \$51,500,000 in FYs 22 and 23.

Thank you for your consideration of our comments.

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**

**Thursday, February 25, 2021
12:00 PM**

State Capitol, Via Videoconference, Conference Room 308

**In consideration of
HOUSE BILL 321, HOUSE DRAFT 1
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

House Bill 321, House Draft 1 proposes to repeal the allocation of excess Transient Accommodations Tax (TAT) revenues to the Turtle Bay Conservation Easement Special Fund, for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii, for the operation of a Hawaiian center and the museum of Hawaiian music and dance, to the tourism special fund for a safety and security budget, to the counties, and to the special land and development fund. Makes allocations to the convention center enterprise special fund and tourism special fun unspecified amounts. **The Department of Land and Natural Resources (Department) strongly opposes this measure for the reasons stated below.**

The Department has been advocating for a greater allocation of the TAT for many years due to the critical nexus between Hawaii as a tourist destination and the quality, management, safety and condition of infrastructure and the affected natural and cultural resources under the Department's jurisdiction. Understandably, due to the demise of the hotel industry, current allocations of the TAT have been suspended and there is considerable uncertainty as to when the TAT will rebound. The Department understands the need to examine a restructuring of the allocation, as the policy of investment in natural capital vs marketing Hawai'i as a destination is now even more compelling than before.

The proposed measure, if enacted, would have severe, and long term consequences for key efforts to manage state parks and recreation areas; provide law enforcement coverage for Department lands, ocean waters, and facilities; and respond to escalating challenges in the protection and regulation of coastal lands and mitigating the impact of sea level rise and

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

unauthorized armoring of certain sections of Hawaii's beaches. Also, the General Fund would not receive approximately \$10.5M in future reimbursements for debt service payments on the Turtle Bay reimbursable general obligation bonds. The Department's mission is to both "Enhance, protect, conserve and manage Hawaii's unique and limited natural and cultural resources" and acknowledge that these resources are "held in public trust for current and future generations of the people of Hawai'i nei, and its visitors, in partnership with others from the public and private sectors." The polarity between protection and conservation - balanced with public recreational and cultural access and enforcing conduct is at the crux of much of the controversies that the Department faces. The legislature has previously found that the protection and restoration of Hawaii's resources is critical in maintaining the State's culture, economy and quality of life.

Reinvestment in the Department's natural and cultural assets using a portion of the TAT still makes sound economic sense to preserve, protect and manage natural and cultural resources being marketed in Hawaii's tourism portfolio.

The key impacts to the Department are:

1. TURTLE BAY CONSERVATION EASEMENT SPECIAL FUND (TBCE)

Our calculations indicate that if \$1.5M/year in TAT revenues doesn't go to the Turtle Bay Conservation Easement Special Fund (TBCE), and nothing else changes, then the General Fund will not be reimbursed about \$10.5M, total, for Turtle Bay bond obligations between now and 2036, that otherwise would have come from the TAT.

As authorized by the 2015 Legislature (Act 121), the State issued \$35M in reimbursable general obligation bonds (Tax-exempt Series EU "Green Bonds") to borrow cash that paid for (1) State acquisition of fee title to certain private lands at Turtle Bay, and (2) State acquisition of a conservation easement over certain private lands at Turtle Bay. The bond amortization schedule—that runs from Fiscal Year (FY) 16 through FY36—sets the amount of each annual debt service payment to be made from the General Fund, which ranges from \$428,732 (interest only in FY16) to \$2,535,069 (principal + interest in FY19), at interest rates between 2% (in earlier years) and 3.5% (in the final year). At full amortization, State payments would total over \$48M, which includes 37.25% interest on principal, spread over 21 years.

The purpose of the TBCE is to reimburse the General Fund for these annual debt service payments. The 2015 Legislature mandated annual deposits to the TBCE totaling \$3M – \$1.5M from TAT revenues (as the first priority for TAT distribution, *see* Section 237D-6.5(b)(1), Hawai'i Revised Statutes) and \$1.5M from the Land Conservation Fund (LCF). In addition to deposits from TAT and the LCF, the cash balance in the TBCE accrues interest earned from participation in the State investment pool. However, reimbursements from the TBCE to the General Fund are special fund expenditures that can only be transacted under an annual spending ceiling as established by the Legislature within the State budget, or through a direct appropriation of TBCE funds. We note that whenever the Legislature chooses to authorize payments from the TBCE to the General Fund, the cash balance of the General Fund would be enlarged, and General Fund interest revenue would increase, accordingly.

2. DIVISION OF STATE PARKS (STATE PARKS)

State Parks has been allocated \$2.5 million of the TAT for the past several fiscal years. The dominant application of the TAT has been to fund the contract with the County of Maui Lifeguards at Makena State Park. Of the Statewide lifeguard contracts, this is the costliest, at \$1.1 million dollars annually, due to beach size and tower placement. When the pandemic response mandated the closure of parks, this service was suspended. Absent a return of the current TAT allocation, this contract will remain unfunded. Additionally, with the proposed general fund reductions and the substantial reduction in revenue from the collection of fees from out of state visitors, State Parks is attempting to streamline all costs and is examining cost elements to further reduce services. A fee increase was implemented in October to attempt to restore a portion of operating income if the tourism industry rebounds.

State Parks has applied the balance of the allocation (approximately \$1.7 million in FY20) to cover such costs as: fuel, oil, water, sewer, refuse collection, overnight per diem and helicopter contract for management at remote our most camping area (Kalalau Valley is a global tourist destination) and other miscellaneous costs associated with park operation and management. The TAT helped offset previous deficiencies in general funds and fluctuation in revenues to manage Hawaii's State Parks System and along with special funds, is critical at the start of a FY since there can be a carryover balance to fund operations until general funds are released.

3. CONSERVATION AND COASTAL LANDS (OCCL)

For OCCL, the impact of the repeal will no longer be able to manage any of the beach restoration projects OCCL has currently in play at Ka'anapali and Waikīkī, and it will be next to impossible to deal with chronic erosion emergencies and illegal seawalls all over the State especially the North Shore of Oahu. A portion of the TAT is to fund the project managers for the Beach Restoration Projects at Ka'anapali and Waikīkī and a major portion is for long term monitoring of current projects and additional projects at Waikīkī (maintenance). Repeal of the TAT to the Department will be a disaster for OCCL.

4. DIVISION OF CONSERVATION AND RESOURCES ENFORCEMENT (DOCARE)

For DOCARE, the impact of the repeal will be to reduce patrol opportunities focused on areas where visitors use the natural and recreational resources. They include areas such as State ocean waters, State parks, small boat harbors, and State beaches and shorelines. Enforcement sweeps of the Ala Wai Small Boat Harbor is an example of a focused operation funded by TAT funds to saturate the area with DOCARE Officers to provide enforcement presence and action in this facility. No distribution of the TAT funds will eliminate the ability to focus law enforcement activities in these areas. Another portion that DOCARE uses the TAT funding for is to assist with the purchase of equipment to support law enforcement operations. Elimination of the funding will compel DOCARE to use other limited funding sources which may restrict its ability to provide for serviceable law enforcement equipment.

The Department concurs that the current suspension of the TAT allocation is warranted under the current impact of the pandemic on the visitor industry economy, but urges the Legislature to reconsider a permanent elimination of this funding source from the Department's current allocations.

Thank you for the opportunity to comment on this measure.

HB-321-HD-1

Submitted on: 2/24/2021 10:30:44 AM

Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Carpenter	DLNR	Oppose	No

Comments:

I am available for questions. Please allow me Zoom access. Thank you.



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

David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES

Hawai'i Tourism Authority
before the
HOUSE COMMITTEE ON FINANCE

Thursday, February 25, 2021
12:00 PM
State Capitol, Conference Room #308
via videoconference

In consideration of
HOUSE BILL NO. 321 HD1
RELATING TO TRANSIENT ACCOMMODATIONS TAX

Chair Luke, Vice Chair Cullen, and members of the House Committee on Finance: the Hawai'i Tourism Authority (HTA) is **providing comments** on House Bill 321 HD1, which repeals the allocation of excess Transient Accommodations Tax (TAT) revenues to the Turtle Bay Conservation Easement Special Fund, for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii, for the operation of a Hawaiian center and the Museum of Hawaiian Music and Dance, to the Tourism Special Fund for a safety and security budget, to the counties, and to the Special Land and Development Fund. It makes the allocations to the Convention Center Enterprise Special Fund and Tourism Special Fund unspecified amounts.

HTA has a significant task ahead in driving the economic recovery from the COVID-19 pandemic through the rebuilding of the tourism industry. HTA helped to generate \$2.07 billion in state tax revenues in 2019. HTA's expenditure of funds results in an approximately \$26-to-\$1 return on investment. Every dollar allocated to HTA and the Hawai'i Convention Center (HCC) is critical to successfully carry out our mission and to strategically market Hawai'i as the preferred tourism destination. This is all in an effort to help our state recover from the economic downturn and to get our residents back to work.

HTA last received TAT funds in April 2020, and we have significantly cut our budget as a result. In fiscal year 2020, HTA's operating budget was \$86.7 million and due to the effects of the COVID-19 pandemic, HTA's operating budget was reduced to \$40.9 million in fiscal year 2021. This equates

February 25, 2021

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to a nearly 53% decrease. In addition, HTA implemented a hiring freeze, ahead of the governor's official directive, and we now have six vacant positions, which amounts to a 19% vacancy rate.

This bill makes "unspecified" allocations to the special funds for HTA and the HCC. HTA's TSF and the HCC's CCESF are funded by statute with \$79 million and \$16.5 million, respectively. The return on investment on our efforts, in partnership with industry, is tied to the ability to be nimble and flexible in our budget and activities through a sufficiently funded budget. The current pandemic is an example of the need to have this flexibility to launch effective and appropriate strategies in the right markets and at the right level. The time for us to heavily invest into our source markets is rapidly approaching and it is important to be armed with the capital for those efforts.

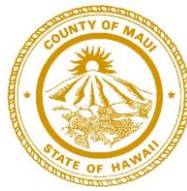
Furthermore, the Meetings, Conventions and Incentives (MCI) market is an important component of marketing Hawai'i. In 2019, the MCI market spent \$904.7 million in Hawai'i. HCC is in the process of executing contracts that could bring thousands of people and millions of dollars to Hawai'i, and additionally provide much needed job security for Hawai'i's residents. Therefore, it's important to have the ability to continue these efforts to engage with potential clients to lay the foundation for the future of Hawai'i's economy.

HTA has a significant task ahead. Depending on the final amount, this bill may hamper HTA's ability to effectively operate, which includes its ability to brand Hawai'i throughout the world as the preferred tourism destination, while we work to improve the quality of life for residents and ensure we continue to deliver exceptional visitor experiences.

We appreciate this opportunity to provide comments on HB321 HD1, and I am available to answer any questions the committee may have.

Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director



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

February 24, 2021

TESTIMONY OF MICHAEL P. VICTORINO
MAUI COUNTY MAYOR

BEFORE THE HOUSE COMMITTEE ON FINANCE
Thursday, February 25, 2021, 12:00 p.m.
Conference Room 308

HB321 HD1 RELATING TO TRANSIENT ACCOMODATIONS TAX

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

Thank you for the opportunity to testify in **OPPOSITION** to **HB321 HD1**.

This bill repeals the allocation of excess transient accommodations tax revenues to the Turtle Bay conservation easement special fund, for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii, for the operation of a Hawaiian center and the museum of Hawaiian music and dance, to the tourism special fund for a safety and security budget, to the counties, and to the special land and development fund. Makes the allocations to the convention center enterprise special fund and tourism special fund unspecified amounts.

The original purpose of the TAT was to help the counties fund visitor-related expenses based on a percentage of earned revenue.

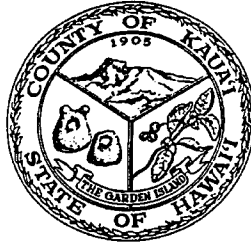
While recognizing the devastating impacts the pandemic has had on our State overall, I humbly request continued support of TAT funding to help Maui County with the associated costs in providing public services to residents and visitors.

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

Thank you for allowing me to testify in **OPPOSITION** to **HB321 HD1**.

COUNTY COUNCIL

Arryl Kaneshiro, Chair
Mason K. Chock, Vice Chair
Bernard P. Carvalho, Jr.
Felicia Cowden
Bill DeCosta
Luke A. Evslin
KipuKai Kualii'i



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 24, 2021

TESTIMONY OF MASON K. CHOCK
COUNCIL VICE CHAIR, KAUA'I COUNTY COUNCIL
ON

HB 321, HD1, RELATING TO TRANSIENT ACCOMMODATIONS TAX

House Committee on Finance

Thursday, February 25, 2021

12:00 p.m.

Via Videoconference
Conference Room 308

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to provide testimony in OPPOSITION to HB 321, HD1, Relating to Transient Accommodations Tax. My testimony is submitted in my individual capacity as Council Vice Chair of the Kaua'i County Council and as Vice President of the Hawai'i State Association of Counties.

HB 321, HD1, proposes to repeal the allocations of transient accommodations tax revenues to the counties, and I am requesting consideration of an amendment to the measure.

Background

In 1990, the Legislature enacted Act 185 to clarify that the legislative intent in distributing the TAT revenues was to provide a more equitable method of sharing state revenues with the counties, in lieu of grants-in-aid. The Legislature noted that "...many of the burdens imposed by tourism fall on the counties." The Legislature noted that increased pressures of the visitor industry meant greater demands on *county services, such as "...providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism related infrastructure"* (House Journal 1990; Conference Committee Report No. 207). At that time, the TAT rate was five percent.

The Economic Revitalization Task Force (ERTF), which included key leaders in the private sector, was established to address the slow growth in the State's economy, job losses, and falling government revenues. From 1990 to 1996, the annual growth rate of real gross state product had slowed to an average of 0.5 percent, and Hawaii loss jobs in five out of seven years. Hawaii's promotional programs appeared not to have kept pace with the changing profile of the traveler, and Hawaii loss market share to other destinations.

House Committee on Finance

As a result, the visitor industry agreed to an increase in the TAT rate in exchange for a commitment to improve funding and administration of the State's visitor industry marketing and promotional efforts. This resulted in the establishment of the Hawaii Tourism Authority.

The TAT rate was increased on:

- January 1, 1994 to 6 percent;
- January 1, 1999 to 7.25 percent;
- January 1, 2009 to 8.25 percent, and
- January 1, 2010 to 9.25 percent.

Since that time, more allocations of TAT revenues were made to: Turtle Bay conservation easement; Hawaiian Center and Museum of Hawaiian Music and Dance; sub-account for safety and security; tourism emergency special fund; special land and development fund for natural resources production and preservation.

Act 156, Session Laws of Hawaii 1998, established the TAT rate at 6 percent, and the revenues were allocated as follows:

- 17.3 percent (\$23,620,257 in 1999) deposited into the convention center capital special fund;
- 37.9 percent (\$51,746,111 in 1999) deposited into the tourism special fund; and
- 44.8 percent (\$61,166,907 in 1999) collected and transferred to the counties: 14.5% to Kauai County; 18.6% to Hawaii County; 44.1% to City and County of Honolulu; and 22.8% to Maui County.

The TAT rate has been raised incrementally and is now at 9.25 percent. The moneys collected at the original 6 percent rate now represents 64.8 percent of total TAT revenues.

Proposal

Change the allocation of TAT revenues back to:

- 17.3 percent deposited into the convention center enterprise special, capped at \$16,500,000;
- 37.9 percent deposited into the tourism special fund;
- 44.8 percent collected and transferred to the counties.
- The remaining TAT revenues deposited into the general fund.

The revenues deposited to the tourism special fund, allocated to the counties, and deposited into the general fund will depend on the fitness of Hawaii's tourism economy. If tourism is doing well, the allocations will be high. If not, the allocations will be lowered.

House Committee on Finance

RE: HB 321, HD1, Relating to Transient Accommodations Tax

February 24, 2021

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Thank you for the opportunity to testify on HB 321, HD1, and considering the recommended change. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188 or via E-mail to cokcouncil@kauai.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mason K. Chock', with a long horizontal flourish extending to the right.

MASON K. CHOCK

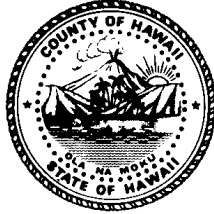
Council Vice Chair, Kaua'i County Council

AMK:lc

HEATHER L. KIMBALL

Council Member

Chair, Committee on Governmental Operations,
Relations and Economic Development
Council District 1



Contact Information

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HAWAI‘I COUNTY COUNCIL

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

H.B. No. 321, H.D.1 Relating to Relating to Transient Accommodations Tax

Committee on Finance

Thursday, February 25, 2021, 12:00 p.m.

Room 308

Aloha Chair Luke and Finance Committee Members,

As the County of Hawai‘i Council Member for District 1, I write in opposition to H.B. No. 321, H.D.1, which among the changes being proposed repeals the allocations of transient accommodations tax revenues to the counties, and request consideration of an amendment to the measure.

Background

In 1990, the Legislature enacted Act 185 to clarify that the legislative intent in distributing the TAT revenues was to provide a more equitable method of sharing state revenues with the counties, in lieu of grants-in-aid. The Legislature noted that "...many of the burdens imposed by tourism fall on the counties." The Legislature noted that increased pressures of the visitor industry meant greater demands on *county services, such as "... providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism related infrastructure"* (House Journal 1990; Conference Committee Report No. 207). At that time, the TAT rate was five percent.

The Economic Revitalization Task Force (ERTF), which included key leaders in the private sector, was established to address the slow growth of the State’s economy, job losses, and falling government revenues. From 1990 to 1996, the annual growth rate of real gross state product had slowed to an average of 0.5 percent, and Hawai‘i lost jobs in five out of seven years. Hawai‘i’s promotional programs appeared not to have kept pace with the changing profile of the traveler, and Hawai‘i loss market share to other destinations.

As a result, the visitor industry agreed to an increase in the TAT rate in exchange for a commitment to improve funding and administration of the State’s visitor industry marketing and promotional efforts. This resulted in the establishment of the Hawai‘i Tourism Authority.

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- January 1, 2009 to 8.25 percent, and
- January 1, 2010 to 9.25 percent.

Since that time, more allocations of TAT revenues were made to: Turtle Bay conservation easement; Hawaiian Center and Museum of Hawaiian Music and Dance; sub-account for safety and

security; tourism emergency special fund; special land and development fund for natural resources production and preservation.

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The TAT rate has been raised incrementally and is now at 9.25 percent. The moneys collected at the original 6 percent rate now represents 64.8 percent of total TAT revenues.

Proposal

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- 37.9 percent deposited into the tourism special fund;
- 44.8 percent collected and transferred to the counties.
- The remaining TAT revenues deposited into the general fund.

The revenues deposited to the tourism special fund, allocated to the counties, and deposited into the general fund will depend on the fitness of Hawai'i's tourism economy. If tourism is doing well, the allocations will be high. If not, the allocations will be lowered.

Thank you for the opportunity to testify on H.B. 321 and for considering the recommended change.

Mahalo,



Heather Kimball
County of Hawai'i, District 1
(808) 961-8828 | heather.kimball@hawaiicounty.gov

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
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Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
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WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 24, 2021

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

FROM: Tamara Paltin
West Maui District Councilmember

DATE: February 24, 2021

SUBJECT: **IN OPPOSITION OF HB 321, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify on this important measure. The purpose of this measure is to repeal the allocation of transient accommodation tax revenue to the counties.

I OPPOSE this measure for the following reasons:

A portion of the transient accommodation tax was dedicated to the counties to mitigate the negative impacts of tourism. Why would the counties continue to invest in tourism with such diminishing returns?

Repealing the small portion of the TAT that Maui County receives seems exploitive, especially to my community of West Maui- which disproportionately bears the brunt of tourism here on Maui.

So much of the money that is made by tourism in Maui is already leveled offshore. What do we receive in return? Poverty-level jobs?

Respectfully Submitted,

Handwritten signature of Tamara Paltin in black ink.

TAMARA PALTIN
Councilmember

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Repeal of Earmarks

BILL NUMBER: HB 321, HD1

INTRODUCED BY: House Committee on Labor & Tourism

EXECUTIVE SUMMARY: Repeals the allocation of excess transient accommodations tax revenues to the Turtle Bay conservation easement special fund, for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii, for the operation of a Hawaiian center and the museum of Hawaiian music and dance, to the tourism special fund for a safety and security budget, to the counties, and to the special land and development fund. Makes the allocations to the convention center enterprise special fund and tourism special fund unspecified amounts.

SYNOPSIS: Amends section 237D-6.5, HRS, to delete the earmark to the Turtle Bay conservation easement special fund.

Replaces with an unspecified amount the earmark to the convention center enterprise special fund.

Replaces with an unspecified amount the earmark to the tourism special fund; deletes the \$1 million proviso for the operation of a Hawaiian center and the museum of Hawaiian music and also deletes the 0.5% proviso to provide funding for a safety and security budget.

Deletes the \$103 million earmark to the counties.

Deletes the \$3 million earmark to the special land and development fund.

Makes technical and conforming changes.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: Section 237D-6.5, HRS, contains several earmarks that need to be paid out of transient accommodations tax collections before the general fund realizes a dime.

Beginning in approximately March 2020, Governor Ige by emergency proclamation suspended the operation of section 237D-6.5, HRS, so that none of the tax collections were paid according to any of the earmarks, and all of the collections went to the general fund.

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.

Re: HB 321, HD1
Page 2

This bill proposes to decrease or eliminate existing earmarks, which appears to be a step in the right direction.

Digested 2/23/2021



February 24, 2021

Representative Sylvia Luke, Chair
House Committee on Finance
Hawaii State Legislature

Comments on HB321 HD1

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

Thank you for the opportunity to provide comments on HB321 HD1.

While we understand that the State Legislature is looking to address substantial budget shortfalls and address a wide variety of earmarks of the Transient Accommodations Taxes (TAT) with this bill, the Kohala Coast Resort Association (KCRA) has very serious concerns about removing the TAT allocation provided to the counties.

Since the cap on the amount of the allocation to the counties was instituted in 2012, we have seen the number of direct air seats to Hawaii Island more than double. We believe that the counties should therefore receive an adequate percentage of the TAT collected by to be able to address that growth. Unfortunately, all of the growth in the visitor industry during the last ten years has benefitted the state – not the counties, as the initial legislation intended. In 2009, the percentage of TAT remaining in the general fund after all other allocations was 3.7% of overall collections, or \$7,793,000. **In 2019, the percentage of TAT remaining in the general fund was 59.1% or \$376,975,000!**

We also encourage greater cooperation between state and county lawmakers on how to meet growing needs throughout Hawaii. We've all learned too well during the last year, the perils that ensue when government becomes too dependent on one industry to support our services and infrastructure. Hopefully, lessons learned during this difficult time will provide the framework for greater cooperation, so that our visitor industry, which economists predict will take years to return to pre-pandemic levels, is not shouldering an oversized burden as we work towards recovery.

KCRA is a collection of master-planned resorts and hotels, situated north of the Kona International 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 visitor accommodations available on the Island of Hawai'i. KCRA member properties annually pay more than \$25 million in TAT, \$25 million in GET and \$11 million in property taxes. KCRA members employ more than 5,000 Hawaii Island residents.

Mahalo for the opportunity to provide comments.

Sincerely,

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

Stephanie Donoho
Administrative Director

HB-321-HD-1

Submitted on: 2/24/2021 8:13:01 PM

Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dana Keawe	Individual	Oppose	No

Comments:

I oppose hb321 hd1