DAVID Y. IGE
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EMPLOYEES' RETIREMENT SYSTEM
HAWAIʻI EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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 SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
ON
SENATE BILL NO. 139

February 3, 2021
3:00 p.m.
Room 224

RELATING TO THE TRANSIENT ACCOMODATIONS TAX

The Department of Budget and Finance (department) offers comments on Senate Bill (S.B.) No. 139.

S.B. No. 139 amends Section 237D-6.5, HRS, to adjust the annual total allocation of Transient Accommodations Tax (TAT) collections distributed to the counties to an undetermined amount and to adjust the distribution of TAT to the individual counties to undetermined percentages of the total allocation.

The department appreciates the intent of S.B. No. 139 but prefers the language in S.B. No. 1093 that temporarily decreases the total 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.

Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director

OFFICE OF THE MAYOR
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
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February 1, 2021

TESTIMONY OF MICHAEL P. VICTORINO
MAUI COUNTY MAYOR

BEFORE THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
Wednesday, February 3, 2021, 3:00 p.m.
Conference Room 224

SB139 RELATING TO TRANSIENT ACCOMODATIONS TAX
Honorable Glenn Wakai, Chair
Honorable Bennette E. Misalucha, Vice Chair
Honorable members of the Committee on Energy, Economic Development, and Tourism

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Thank you for the opportunity to **offer comments** on **SB139**.

This bill revises county allocations of transient accommodations tax (TAT) revenues to reflect the growth in population of each respective county.

The measure in its current form is too vague and does not provide a formula to calculate the amount of TAT revenue to be received by each of the counties.

Counties absorb many of the 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; and 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 the area of public safety.

I encourage the State Legislature to continue to look for ways to allocate TAT revenues with more parity among all four counties.

Thank you again for the opportunity to **offer comments** on **SB139**.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMODATIONS, Modify allocation to counties

BILL NUMBER: SB 139

INTRODUCED BY: KANUHA, Nishihara

EXECUTIVE SUMMARY: Revises county allocations of transient accommodations tax revenues to reflect the growth in population of each respective county. Effective 7/1/2021.

SYNOPSIS: Amends section 237D-6.5, HRS, which governs disposition of transient tax collections, Subsection (b)(4), previously provided that the counties were to get $103 million of TAT collections of which Kauai would get 14.5%, Hawaii county 18.6%, Honolulu 44.1%, and Maui 22.8%. The bill would insert blank dollar amounts and percentages.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: Act 161, SLH 2013, changed the allocations of TAT to the counties 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, as described above; and (5) $3 million is allocated to the special land and development fund. Any remaining revenues then go to the general fund.

In a series of emergency proclamations relating to the worldwide COVID-19 pandemic, however, the Governor suspended all earmarks on the TAT. Nothing is now going to the Turtle Bay fund, the convention center enterprise fund, the tourism special fund, the counties, or the special land and development fund. Everything is going to the general fund. Not that it matters a great deal, because TAT collections have dried up to merely a trickle.

This measure would perpetuate the earmarking of TAT revenues. Most of us understand that support of the counties is a worthy goal. But does that justify grabbing a nine-digit 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.

Digested 1/29/2021

Kohala Coast
RESORT ASSOCIATION

January 31, 2021

Senator Glenn Wakai, Chair
Senator Bennette Miasalucha, Vice Chair
Committee on Energy, Economic Development and Tourism
Hawaii State Legislature

Comments on SB139

Dear Chair Wakai, Vice Chair Miasalucha and Members of the Committee on Energy, Economic Development and Tourism,

Thank you for the opportunity to provide comments on SB139. We are glad that Senator Dru Kanuha introduced this bill, and appreciate your committee looking into opportunities to provide a more equitable distribution of the Transient Accommodations Taxes (TAT) to the counties.

We are heartened that this bill considers the growth in resident population to the islands, and the greater percentages the neighbor islands have experienced. We have seen a similar situation with growth in visitors to the neighbor islands. Since the cap on the amount of TAT provided to the counties was put in place in 2012, we saw the number of direct air seats to Hawaii Island more than double.

We know that the financial impacts to our industry, as well as to government coffers, due to COVID-19, have been devastating. While we appreciate that everyone is looking at opportunities to close budget shortfalls, we want to make sure that our industry has the capacity to return to health and stability as well, and that a fair and equitable distribution of TAT to the counties continues.

We also encourage greater cooperation between state and county lawmakers on how to better address the growing needs of 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 Ellison Onizuka Kona International Airport at Keahole, 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 vistor 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.

Sincerely,

Stephanie P. Donoho

Stephanie Donoho
Administrative Director

PO Box 6991, Kamuela, HI 96743 * (808) 747-5762 * kohalacoastresortassn@gmail.com * www.kohalacoastresorts.com

Testimony of the
Hawaii State Association of Counties
On
S.B. 139
Relating to Relating to the Transient Accommodations Tax
Committee on Energy, Economic Development and Tourism
Wednesday, February 3, 2021, 3:00 p.m.
Room 224

The Hawaii State Association of Counties (HSAC) opposes S.B. No. 139, which proposes to change the allocations of transient accommodations tax revenues to the counties to reflect the growth in population of each respective county.

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)

The distribution percentages were determined by identifying the impact of the loss of grant-in-aid to Kauai County, the least populated county, and the percentage of that amount as a percentage of TAT revenues at that time. Based on that initial amount, the distribution to the other counties was established, with consideration of the impact of the visitor industry on the county services.

There is no rational nexus for basing the county allocation percentages on the current population growth of each county. There is a nexus if the impact of visitor arrivals on each county is considered. Using the State Data Book and statistics from the Hawaii Tourism Authority, in 2019:

- The City and County of Honolulu with a population of 953,207 had 6,154,248 visitor arrivals;
- Maui County with 154,924 residents, had 3,059,905 visitors;
- Hawaii County with 185,079 residents, had 1,763,904 visitors; and
- Kauai County with 67,091 residents had 1,370,029 visitors.

There is no nexus for basing the allocation of TAT revenues, which are paid by visitors, on the growth in population.

For these reasons, HSAC opposes S.B. 139. Thank you for the opportunity to submit testimony on S.B. No. 139.