



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR ON
HOUSE BILL NO. 1448, RELATING TO THE TRANSIENT ACCOMMODATIONS
TAX**

**House Committee on Tourism
February 4, 2015**

Chair Brower and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to comment on House Bill No. 1448, relating to the transient accommodations tax (TAT). This measure would repeal certain expenditures from the tourism special fund and allocate funds to the special land and development fund to be expended by mutual agreement of the Board of Land and Natural Resources and Board of Directors of the Hawai'i Tourism Authority.

The State-County Functions Working Group is meeting at 10:00 a.m. this morning (February 4, 2015) and has not yet taken a position on TAT measures proposed during the 2015 Regular Session; thus, it is unable to submit testimony on this measure at this time. Its work, however, will be directly impacted by passage of TAT legislation this year.

The Working Group was created by Act 174 (SLH 2014) and administratively placed within the Office of the Auditor. The Working Group, which first convened in October 2014, is comprised of 13 members and assigned the following responsibilities:

- 1) Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and

- 2) Submit a recommendation to the Legislature on the 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 is charged with submitting two reports: 1) an Interim Report, which was delivered to the Legislature, Governor, and each of the county Mayors, on December 18, 2014; and 2) a Final Report with its findings and recommendations to the same parties 20 days prior to the convening of the 2016 Regular Session. Accordingly, the Working Group will continue its work through 2015 and shall cease to exist upon the adjournment sine die of the 2016 Regular Session.

Thank you for the opportunity to offer comments on House Bill No. 1448. I am available for your questions.



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David Y. Ige
Governor

Ronald Williams
Chief Executive Officer

Testimony of
Ronald Williams
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. No. 1448
Relating to the Transient Accommodations Tax
House Committee on Tourism
Wednesday, February 4, 2015
9:30 a.m.
Conference Room 312

The Hawaii Tourism Authority strongly supports H.B. No. 1448, which clarifies an amendment made in 2012, by Act 171, Session Laws of Hawaii 2012.

In 2012, 34.2 per cent of the transient accommodations tax (TAT) revenues collected were deposited into the Tourism Special Fund. Act 171, Session Laws of Hawaii 2012, provided that beginning July 1, 2012 and ending June 30, 2015, \$2,000,000 was to be expended from the Fund for the development and initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii. In 2013, the amount of TAT revenues allocated to the Tourism Special Fund was changed from 34.2 percent to \$82 million. A proviso was also inserted which provided that, "beginning July 1, 2012, and ending on June 30, 2015, \$2 million from the Tourism Special Fund was to be expended "to take advantage of expanded visa programs and increased travel opportunities for international visitors..."

H.B. 1448 makes it clear that the allocation of TAT revenues into the Tourism Special Fund is \$82 million by deleting the provision making the \$2 million allocation from 2012 to 2015. This is consistent with the language that follows that provide that of the \$82 million allocated: \$1 million is allocated for the Hawaiian center and the museum of Hawaiian music and dance; and 0.5 percent transferred to the sub-account for safety and security.

This will eliminate ambiguity that may reduce by \$2 million the funds available to the HTA for its operation when the allocation was fixed at \$82 million rather than 34.2 per cent of TAT revenues.

Mahalo for the opportunity to offer these comments.

DAVID Y. IGE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
CARTY S. CHANG
Interim Chairperson

Before the House Committee on
TOURISM

Wednesday, February 4, 2015
9:30 AM
State Capitol, Conference Room 312

In consideration of
HOUSE BILL 1448
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill 1448 proposes to repeal the expenditure 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, which expires on June 30, 2015. Section I (b)(5) of the bill allocates funds to the special land and development fund to be expended according to a mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the long-range strategic plan for tourism developed by the Hawaii tourism authority instead of authorizing the allocation to be subject to the mutual agreement under the Hawaii tourism authority strategic plan. This testimony is limited to Section I (b)(5) regarding the allocation of funds. **While the Department of Land and Natural Resources (Department) prefer the language in the Administration's proposal House Bill 954, the Department strongly supports Section I(b)(5) of this measure but requests that this measure be amended to take effect upon approval in order to allow the Department to make use of the current Fiscal Year's funds.**

In 2013, the Legislature passed Senate Bill 1194, Conference Draft 1, which was signed into law by the Governor as Act 161, Session Laws of Hawaii 2013. Prior to this bill being enacted into law, \$1,000,000 from Transient Accommodation Tax (TAT) revenues budgeted for the HTA was deposited into the Department's State Parks Special Fund, and the Special Land and Development Fund for the state-wide trail and access program. Act 161 in part left that \$1,000,000 in the HTA budget and instead allocated \$3,000,000 subject to the mutual agreement of the Board of Land and Natural Resources (BLNR) and the Board of Directors of the HTA in accordance with the HTA Strategic Plan for the same purposes outlined in this measure. Act 161 specified an amount "of the excess revenue deposited into the general fund", but did not provide authority to expend the funds.

CARTY S. CHANG
INTERIM CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

DANIEL S. QUINN
INTERIM FIRST DEPUTY

W. ROY HARDY
ACTING 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

Thus, to date, the Department has received none of the funding intended for it by the Act in Fiscal Year 2013-2014 or the current Fiscal Year.

Last session, a measure was introduced which included language that solved the issue. The bill remained viable and made it into conference committee. However, last minute revisions related to the acquisition of the Turtle Bay Conservation Easement resulted in elimination of that language.

This measure, House Bill 1448, solves the issue of authority to expend the funds. The Department urges your strong support of this measure with the respect to the language in Section I (b)(5) with requested amendment to take effect upon approval. We note that should any increase in funding be approved, the ceilings of the Conservation and Resources Enforcement Special Fund, and other Department special funds, may need to be adjusted accordingly.

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SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for special land and development fund

BILL NUMBER: SB 1356; HB 1448 (Identical)

INTRODUCED BY: SB by Kim; HB by Brower, Cachola, Hashem, Ito, Matsumoto, Ohno, Souki, Tokioka, Tsuji and 7 Democrats

LATE

EXECUTIVE SUMMARY: This bill adjusts earmarks on the transient accommodations tax (TAT) that feed various special funds. Earmarks decrease transparency and accountability of government operations and should be avoided.

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(5) to specify that \$3 million of TAT revenues shall be allocated to the special land and development fund, subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the long range strategic plan of for tourism.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The legislature by 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) \$33 million is deposited into the convention center enterprise special fund; (2) \$82 million is deposited into the tourism special fund; (3) \$93 million is transferred to the various counties; and (4) any remaining revenues deposited into the general fund. While this measure would delete the phrase “of the excess revenues deposited into the general fund pursuant to this subsection” and provide that \$3 million of TAT revenues shall be allocated to the special land and development fund, it would appear that any excess revenues after all allocations of TAT revenues are made will still be deposited into the general fund since HRS section 237D-6.5(b) states that TAT revenues shall be distributed as follows with excess revenues to be deposited into the general fund.

The proposed measure would add another siphon of TAT revenues, and would perpetuate the earmarking of TAT revenues for activities other than tourism. While proponents of earmarking of the TAT argue that if these projects or programs are not funded, none of the pristine beauty that visitors come to see will be preserved, one could make the argument on the other side. If there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state’s economy. Lawmakers seem to have lost sight of the fact that visitors also contribute to state coffers directly through the 4% on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay for other “visitor related” programs, then paying for those programs out of general funds would be more appropriate than stealing the money from what is identified as a tax paid specifically by the visitor.

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for these programs that not only benefit the visitors but the community at large, decreases transparency and accountability.

Finally, it should be remembered that revenues earmarked into a special fund, in this case the special land and development fund, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/3/2015