

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 444, H.D. 3, S.D. 1

March 31, 2015

RELATING TO BEACH PROTECTION

House Bill No. 444, H.D. 3, S.D. 1: a) incorporates beach land conservation under the general powers of the Board of Land and Natural Resources (BLNR) and expands the beach restoration plans to include beach conservation plans; b) renames the "beach restoration special fund" as the "beach restoration and conservation special fund"; c) deposits permit proceeds from the lease of public lands for an existing shoreline structure, matching funds to carry out a beach restoration and conservation plans from private individuals or organizations, and transient accommodations tax (TAT) revenues into the beach restoration and conservation special fund; d) allocates \$3,000,000 of TAT revenues to the Special Land and Development Fund to be expended by the BLNR and board of directors of the Hawaii Tourism Authority, under a mutual agreement; and e) allocates an unspecified annual amount of TAT revenues to the beach restoration and conservation special fund and requires the fund to maintain an unspecified balance.

We recognize the importance of beach land conservation for our residents; however, the State's resources are limited. The bill would reduce annual general fund revenues by the amount of TAT revenues allocated to the beach restoration and conservation special fund. This unspecified general fund reduction has not been accounted for in the Administration's general fund financial plan.

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 Senate Committee on
WAYS AND MEANS**

**Tuesday, March 31, 2015
9:00 am
State Capitol, Conference Room 211**

**In consideration of
HOUSE BILL 444, HOUSE DRAFT 3, SENATE DRAFT 1
RELATING TO BEACH PROTECTION**

House Bill 444, House Draft 3, Senate Draft 1 proposes to provide for the restoration and conservation of Hawaii's valuable beach resources by:

1. Allocating Transient Accommodations Tax (TAT) revenue to the Beach Restoration and Conservation Special Fund;
2. Effectively developing and implementing plans to slow the degradation of our beaches;
3. Restoring beaches through the coordination of activities involving the counties and public-private partnerships; and
4. Providing for the allocation of TAT revenue to the Special Land and Development Fund to be expended in accordance with the Hawaii Tourism Authority strategic plan to include protecting natural resources important to the visitor industry, such as beaches.

The Department of Land and Natural Resources strongly supports House Bill 444, House Draft 3, Senate Draft 1.

Thank you for the opportunity to testify on this measure.

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
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HISTORIC PRESERVATION
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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. 444, H.D. 3, S.D.1
Relating to the Beach Protection
Senate Committee on Ways and Means
Tuesday, March 31, 2015
9:00 a.m.
Conference Room 211

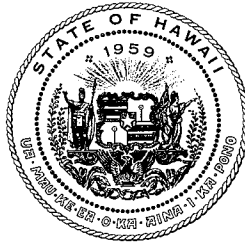
The Hawaii Tourism Authority strongly supports H.B. No.444, H.D. 3, S.D.1, which provides for the implementation of beach restoration and sand nourishment as part of a viable management strategy for Hawaii's special resource.

Hawaii's beaches are important, unique, and special components of the natural resources that make Hawaii a special place for residents as well as visitors. As an important component of our diverse array of natural resources, our beaches require a commitment of resources to protect them, and the coordination of efforts at all levels to achieve this protection.

H.B. 444, H.D. 3, S.D.1 proposes, beginning July 1, 2015, to allocate transient accommodations tax revenues annually to the renamed Beach Restoration and Conservation Special Fund until a fund balance to be established is achieved, and maintained. The purpose of the fund is to do all things necessary, and useful in connection with the restoration and conservation of beach lands."

For these reasons, we strongly support H.B. 444, H.D. 3, S.D.1 and urge its passage.

Mahalo for the opportunity to offer these comments.



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,
STATE-COUNTY FUNCTIONS WORKING GROUP, ON
HOUSE BILL NO. 444, HOUSE DRAFT 3, SENATE DRAFT 1,
RELATING TO BEACH PROTECTION**

(written testimony only)

**Senate Committee on Ways and Means
March 31, 2015**

Chair Tokuda, and Members of the Committee:

I am Simeon R. Acoba, Chair of the State-County Functions Working Group. Thank you for the opportunity to comment on House Bill No. 444, House Draft 3, Senate Draft 1, relating to beach protection. This measure would, among other purposes, allocate funds from the transient accommodations tax (TAT) for beach restoration and conservation.

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 appointed by the Governor, the Senate President, the Speaker of the House of Representatives, each of the county mayors, and the Chief Justice. The group is 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.

Act 174 requires the Working Group to submit 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.

The Working Group will continue its work through 2015 and shall cease to exist upon the adjournment sine die of the 2016 Regular Session. We note that any TAT legislation passed this year may affect the on-going work of the Working Group. Accordingly, while we take no position on the merits of this bill, we respectfully request your consideration of deferring decisions on TAT legislation introduced this year to the 2nd year of the 28th State Legislature to enable the the Working Group to complete its work. As required by Act 174, the Working Group will report its findings and make recommendations prior to the 2016 Regular Session.

Thank you for the opportunity to offer comments on House Bill No. 444, House Draft 3, Senate Draft 1.



Testimony Presented Before the
Senate Committee on
WAYS AND MEANS
Tuesday, March 31, 2015; 9:00 am

By
HAWAII SHORE AND BEACH PRESERVATION ASSOCIATION

In consideration of
HOUSE BILL 444 HD3 SD1 RELATING TO BEACH PROTECTION

House Bill 444 HD3 SD1 expands the scope of the Department of Land and Natural Resources' Beach Restoration Plans to include beach conservation. Allocates funds from the Transient Accommodations Tax to be used in accordance with the Hawaii Tourism Strategic Plan and for beach restoration and conservation.

The Hawaii Shore and Beach Preservation Association (HSBPA)* strongly supports House Bill 444 HD3 SD1. Beaches are the backbone of Hawaii's \$15 Billion tourism industry and are central to Hawaii's unique culture and lifestyle. Hawaii's beaches have become increasingly threatened by erosion. According to the United States Geological Service (USGS) National Assessment of Shoreline Change for the Hawaiian Islands, 70% of Hawaii's beaches are eroding and 13 miles of beach have been lost over the last century. Beach erosion effects shoreline access, recreation and cultural activities, coastal environments, and our tourism-based economy.

The HSBPA supports the development of special discretionary funds to facilitate improved understanding and management of Hawaii's coastal resources. The fund will be critical to the development and the implementation of local and regional beach conservation and management plans and projects. The DLNR has a proven history in successfully developing beach conservation plans and managing coastal assets as exemplified by the 2012 Waikiki Beach Maintenance project.

The HSBPA held a Beach Restoration Workshop in November, 2014 that included Association members and invitees representing a cross-section of stakeholders involved with coastal management. Increased funding for agencies tasked with coastal management to support beach conservation, restoration, and coastal land use planning was identified as a key recommendation from workshop participants.



*The Hawaii Shore and Beach Preservation Association (HSBPA, <http://www.hawaiishoreandbeach.org/>), formed in 2014, is an organization of private sector, academic, and government professionals, students and local community members dedicated to the preservation and restoration of Hawaii's beaches and coastal environments. The HSBPA aims to bring together various members of the coastal community to foster dialogue and cooperation on beach and coastal resource conservation, management, and regulation; supporting professional development of chapter members; and providing education to students and community members on Hawaii's beaches and coastal environments.

Thank you for considering our testimony on this bill. Please consider HSBPA a resource should you have any questions or want more information about beach preservation and restoration. We can be reached at aloha@hawaiishoreandbeach.org.

Testimony of The Nature Conservancy of Hawai'i
Supporting H.B. 444 HD3 SD1 Relating to Beach Protection
Senate Committee on Ways and Means
Tuesday, March 31, 2015, 9:00AM, Room 211

For more than 35 years, The Nature Conservancy of Hawai'i has been working closely with government agencies, local businesses, private landowners, non-profit partners, and interested communities across the state to preserve the lands and waters upon which all life in these islands depends. The Conservancy is a private non-profit conservation organization that has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i, and support 19 coastal communities seeking to co-manage marine resources in partnership with the State of Hawai'i.

The Nature Conservancy supports H.B. 444 HD3 SD1 to clarify the distribution and allowable uses of the TAT allocated to the Department of Land and Natural Resources and provide additional TAT revenue for beach restoration and conservation.

Hawai'i's globally unique environment is amongst the top reasons visitors from all over the world come to these islands. There is also widespread agreement that Hawai'i's fragile environment is in need of improved management and protection. In addition, climate change is an imminent and unprecedented threat to natural systems (forests, coastlines, coral reefs) and to every resident and visitor that—whether they know it or not—depends on services from a healthy and functioning natural environment.

Presently, the DLNR receives about 1% of the State's general fund budget to oversee and care for millions of acres of natural lands and waters. Obviously, not all of the cost of protecting these resources should be laid at the feet of the visitor industry; it's everyone's responsibility because we all benefit and are at risk. And, while litter and graffiti clean ups and park restroom repairs are important, long term, larger investments are needed in:

- **Forest** management to ensure that they are as healthy as possible to capture as much rain (drinking water) and hold as much soil as possible as climate change brings more severe individual storm events, but overall less rainfall and more long term drought events;
- **Coral reef** and near shore management to ensure that they are as healthy as possible to withstand the warming and acidification effects of climate change and still provide storm protection, seafood, and a continuing visitor attraction;
- **Invasive pest** prevention and control so that at the same time we are inviting the world to our shores, we are not also granting easy access to the world's pests and diseases; and
- **Compliance** and enforcement for those who choose not to respect these natural resources.

We all have a stake—including the visitor industry—in the general health and function of Hawai'i's finite natural environment and resources as a:

- **Raw material** that supports the lifestyle and livelihood of every resident, visitor and business;
- **Service** that if not healthy and functioning will not deliver basic elements like fresh water needed for any person or business to thrive in the middle of the Pacific ocean; and
- **Product** that we market to the world to get them to vacation, do business and invest here.

Thank you for this opportunity to offer our support for this measure.

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TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for beach restoration and conservation special fund

BILL NUMBER: HB 444, SD-1

INTRODUCED BY: Senate Committees on Tourism and International Affairs and Water and Land

EXECUTIVE SUMMARY: In the name of beach maintenance, this bill adjusts an existing earmark on the transient accommodations tax (TAT) that feeds one special fund, and adds another earmark on the TAT so it goes to another special fund, both to fund beach conservation and maintenance. The present draft of the bill has the potential to add lots of confusion as to responsibilities and funding for beach conservation and maintenance. Furthermore, in general, earmarks decrease transparency and accountability of government operations and should be avoided.

BRIEF SUMMARY: Enacts a technical fix to HRS section 171-19(a) relating to the special land and development fund.

Broadens the scope of the beach restoration special fund to include conservation, and renames the fund the “beach restoration and conservation special fund.”

Amends HRS section 237D-6.5(b)(5) to allow \$3 million per year to be allocated into the special land and development fund, and to allow the moneys to be spent in accordance with the Hawaii tourism authority strategic plan for, among other things, beach maintenance.

Amends HRS section 237D-6.5(b) to add a new paragraph (6) to provide that \$__ million shall be allocated to the beach restoration and conservation special fund until it reaches \$__ million. Thereafter, funds shall be allocated from the beach restoration and conservation special fund in a manner sufficient to maintain a fund balance of \$__ million.

Makes conforming amendments to HRS chapter 171.

EFFECTIVE DATE: Upon approval

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) \$26.5 million is deposited into the convention center enterprise special fund; (2) \$82 million into the tourism special fund; (3) \$103 million is transferred to the various counties; (4) \$3 million for debt service of the Turtle Bay conservation easement; and (5) any remaining revenues deposited into the general fund of which \$3 million is to be allocated according to the Hawaii tourism strategic plan. This measure would then divert \$__ million a year to the beach restoration and conservation special fund.

The proposed measure corrects a technical flaw in HRS section 237D-6.5(b)(5) that allocated money to the special land and development fund but didn't allow anyone to spend the money. Because of the title of the bill, which is "A Bill for an Act Relating to Beach Protection," the bill couldn't simply allow for the technical fix; it had to do something about beach maintenance, and thus the bill broadens the existing earmark to allow for beach maintenance.

In addition, the bill adds yet another earmark upon the TAT, diverting revenues to the newly renamed beach restoration and conservation special fund. If enacted, therefore, there will now be two earmarks on the TAT going to two different special funds, each specifically allowing for beach maintenance outside of general fund appropriations. Moreover, HRS section 171-156(b) explicitly allows for the beach restoration and conservation special fund to make grants to the counties for, among other things, beach maintenance; so the bill is poised to create a great deal of confusion relating to how much of the TAT will actually get paid over to the counties.

The TAT also feeds the general fund. Weighing it down with more and more earmarks will mean that there is less money available for the general fund. 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 beach restoration and conservation special fund, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 3/30/2015