

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  
WATER & LAND**

**Friday, February 6, 2015  
9:00 am  
State Capitol, Conference Room 325**

**In consideration of  
HOUSE BILL 444  
RELATING TO BEACH PROTECTION**

House Bill 444 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; and (3) Restoring beaches through the coordination of activities involving the counties and public-private partnerships. In addition to beach restoration and conservation, this bill proposes to allocate funds to the Special Land and Development Fund to be expended according to a mutual agreement of the Board of Land and Natural Resources (BLNR) and the Board of Directors of the Hawaii Tourism Authority (HTA) in accordance with the long-range strategic plan for tourism developed by the HTA. **The Department of Land and Natural Resources (Department) strongly supports House Bill 444 and respectfully 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.**

This legislation endeavors to facilitate implementation of plans and projects for conservation and restoration of public trust beach and other resources across the State.

As you are aware, it is the mission of the Department to manage public lands and ocean resources, including coastal areas. The Department is very much at the forefront of addressing impacts related to coastal erosion and beach loss in Hawaii. Beaches are central to our culture and economy, yet our beaches are being lost at alarming rates due natural processes and human impacts.

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

**DANIEL S. QUINN**  
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ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
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KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

Recent studies by researchers at University of Hawaii (UH) and the United States Geological Survey find the majority, or 70%, of Hawaii beaches are chronically eroding<sup>1</sup>. Over 13 miles of Hawaii beaches was completely lost to erosion over the past century, nearly all of which was fronting seawalls or other coastal armoring. When beaches erode, shoreline access is lost, recreation and cultural activities are limited, coastal habitat is impacted, and our visitor economy suffers. The State of Hawaii must facilitate conservation and restoration of our public beach resources if our community wishes to maintain this invaluable resource for generations to come.

The Department is working closely with county and private stakeholders to restore economically-vital beaches including a Waikiki beach restoration project in 2012, ongoing planning to restore degraded sections of Ka'anapali Beach on Maui, and initial discussions with Kauai County administration for a project to restore Poipu Beach.

Through the Departments' Coastal Lands Program and an ongoing partnership with UH Sea Grant, Department staff work directly with other government agencies, communities, and coastal land owners affected by beach and land loss from coastal erosion. Department staff advises affected stakeholders on options for coastal erosion management, including 'soft' measures such as beach and dune restoration. However, the Department is presently limited in its ability to assist stakeholders in funding restoration and conservation plans and projects.

Improved funding for the Beach Restoration Special Fund through the TAT would greatly improve the Department's ability to partner with county and local entities on beach restoration and conservation projects statewide. Increased funding will allow the Department to assist the counties in priority projects such as locating and stockpiling beach quality sand, which is in very short supply for restoration projects. Additionally, increased funding will allow the Department to assist the counties and local stakeholders in restoring and conserving key public and visitor beaches beyond major resort areas such as Waikiki and Ka'anapali.

In addition, this bill addresses an issue related to the allocation of the TAT previously approved by the Legislature. 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 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 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. 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.

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<sup>1</sup>Fletcher, C.H., *et al.*, 2012, *National assessment of shoreline change: Historical shoreline change in the Hawaiian Islands*, U.S. Geological Survey Open-File Report 2011-1051, 55 p.

In addition to the funds that would be allocated to the Beach Restoration Special Fund, this measure solves the issue of authority to expend the funds that would be allocated to the special land development fund. With that issue resolved, the Department requests that the measure take effect upon approval, in order that it might access funding intended for use in the current Fiscal Year. The Department urges your strong support of this measure with the requested amendment.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON WATER AND LAND  
ON  
HOUSE BILL NO. 444

February 6, 2015

RELATING TO BEACH PROTECTION

House Bill No. 444: 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 annual amount of \$3,000,000 of TAT revenues to the beach restoration and conservation special fund and requires the fund to maintain a balance of \$7,000,000.

We recognize the importance of beach land conservation for our residents; however, the State's resources are limited. The bill would reduce general fund revenues by \$3,000,000 annually. This general fund reduction has not been accounted for in the Administration's general fund financial plan.



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**kahua pa'a** web [hawaii tourism authority.org](http://hawaii tourism authority.org)

**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**  
**Relating to the Beach Protection**  
House Committee on Water & Land  
Friday, February 6, 2015  
9:00 a.m.  
Conference Room 325

The Hawaii Tourism Authority strongly supports H.B. No.444, 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. Hawaii's beaches, however, are eroding at an alarming rate. 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 allocates transient accommodations tax revenues to develop and implement plans to slow the degradation of Hawaii's beaches and coordinate activities of government and private sector organizations through public-private partnerships that are more than replenishing sand on beaches.

H.B. 444 proposes, beginning July 1, 2015, to allocate \$3 million annually to the renamed Beach Restoration and Conservation Special Fund until a fund balance of \$7 million is achieved, and provides that thereafter funds shall be allocated to the Special Fund sufficient to maintain the \$7 million balance, to do "all things necessary, useful, and convenient in connection with the restoration and conservation of beach lands."

For these reasons, we strongly support H.B. 444, and urge its passage.

Mahalo for the opportunity to offer these comments.



Testimony Presented Before the  
House Committee on Water & Land  
Friday, February 6, 2015  
Hawaii Shore and Beach Preservation Association

In consideration of  
House Bill 444 RELATING TO BEACH PROTECTION

House Bill 444 expands the Department of Land and Natural Resources' (DLNR) beach restoration plans to include beach conservation plans and allows the DLNR to include studies about the effect of sea level rise and other coastal engineering studies. The bill proposes to rename the "beach restoration special fund" as the "beach restoration and conservation special fund." Along with permit fees, proceeds from the lease of public lands for an existing shoreline structure, matching funds to carry out a beach restoration and conservation plans, the bill allocates \$3,000,000, annually (to maintain a balance of \$7,000,000) of transient accommodations tax revenues to the beach restoration and conservation special fund to be expended by the board of land and natural resources and board of directors of the Hawaii tourism authority, under a mutual agreement.

**The Hawaii Shore and Beach Preservation Association (HSBPA)\* strongly supports House Bill 444.** 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. Beaches are the backbone of Hawaii's \$15 Billion tourism industry and are central to Hawaii's unique culture and lifestyle.

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 HSBPA 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](mailto:aloha@hawaiishoreandbeach.org).

Testimony of The Nature Conservancy of Hawai'i  
Supporting H.B. 444 Relating to Beach Protection  
House Committee on Water and Land  
Friday, February 6, 2015, 9:00AM, Room 325

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*The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy 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. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.*

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The Nature Conservancy supports H.B. 444 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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# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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

**BILL NUMBER:** SB 617; HB 444 (Identical)

**INTRODUCED BY:** SB by Kim, Chun Oakland, Gabbard, Kahele and 1 Democrat; HB by Yamane, Aquino, Belatti, Brower, Cullen, Evans, Ito, C. Lee, McKelvey, Morikawa, Nishimoto, Thielen, Tsuji and 2 Democrats

**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) to add a new paragraph (6) to provide that \$3 million shall be allocated to the beach restoration and conservation special fund until it reaches \$7 million. Thereafter, funds shall be allocated from the beach restoration and conservation special fund in a manner sufficient to maintain a fund balance of \$7 million.

Makes conforming amendments to HRS chapter 171.

**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) \$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 \$3 million a year to the beach restoration and conservation special fund.

The proposed measure would add another siphon of TAT revenues and would perpetuate the earmarking of TAT revenues. 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 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 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.

The measure states that "thereafter, funds shall be allocated from the beach restoration and conservation special fund in a manner sufficient to maintain a balance of \$7 million." Does this mean the fund must maintain a balance of \$7 million and that is the minimum amount required in the fund? If that is the case, the \$7 million could never be spent. On the other hand, does it mean that funds over \$7 million must be spent to maintain a fund balance of \$7 million?

Digested 2/5/15



**HAWAI'I LODGING & TOURISM**  
**A S S O C I A T I O N**

**LATE**

Testimony of George Szigeti  
President & CEO  
HAWAI'I LODGING & TOURISM ASSOCIATION  
Committee on Water & Land  
Hearing on February 06, 2015, 9:00 a.m.  
HB 444 Relating to Beach Protection

Dear Chair Yamane, Vice Chair Cullen, and Members of the Committee. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 50,000 rooms, and over 400 other Allied members. The visitor industry was responsible for generating \$14.9 billion in visitor spending in 2014 and supported 170,000 jobs statewide – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer this testimony regarding House Bill 444 Relating to beach protection, which incorporates beach land conservation under the general powers of the Board of Land and Natural Resources (BLNR), expands the Department of Land and Natural Resources (DLNR) beach restoration plans to include beach conservation and allocates \$3,000,000 from TAT revenues to the special land and development fund as well as \$3,000,000 to the beach restoration and conservation special fund.

The Hawai'i Lodging & Tourism Association **supports** House Bill 444, which is critical to the restoration, conservation and protection of one of our State's most important assets, our beaches. With the constant issue of beach erosion present on our State's shores it is important that we not only look at restoration solutions but also a plan for conservation by effectively slowing the degradation of our beaches.

This Bill proposes the annual allocation of \$3,000,000 from the transient accommodations tax revenue to the beach restoration and conservation special fund established in section 171-156 until it reaches a balance of \$7,000,000 whereas it will need to maintain this balance thereafter. It further proposes that beach restoration be coordinated through activities involving the counties and the formation of public-private partnerships.

For these reasons, we **support** HB 444 and urge its passage.

Thank you for the opportunity to testify.