

## THIRTY-SIXTH DAY

**Thursday, March 23, 2017**

The House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017, convened at 12:06 o'clock p.m., with Vice Speaker Mizuno presiding.

The invocation was delivered by Mr. Piper Toyama of Honpa Hongwanji Mission of Hawaii, after which the Roll was called showing all Members present with the exception of Representatives Aquino, Ichiyama and Souki, who were excused.

On motion by Representative Evans, seconded by Representative Ward and carried, reading of the Journal was dispensed with and the Journals of the Twenty-Third, Twenty-Fourth, Twenty-Fifth, Twenty-Sixth, Twenty-Seventh, Twenty-Eighth and Twenty-Ninth Days were approved. (Representatives Aquino, Ichiyama and Souki were excused.)

## INTRODUCTIONS

The following introductions were made to the Members of the House:

Representative Har, on behalf of Representatives Cullen, LoPresti and herself, introduced from Cub Scout Pack 126 of Kapolei: Cubmaster Daniel Noia and son, Webelos Scout Danny Noia; Advancement Chair Evelyn Perez and son, Arrow of Light Scout Gavin Perez; Wolf Scout Noa Montes and mother, Rie Montes; Arrow of Light Den Leader and HMIR staff Candace Kelsey, grandson, Connor Kelsey, husband, Mr. Steve Kelsey, and granddaughter, Lynea Park.

Representative Lowen introduced her staff: Lauren NuDelman, Mark Ogata and Jade McMillen; and family of Robert Dempsey: Gayla and Taylor Dempsey.

Representatives Ward and Luke introduced Ms. Sherry Menor-McNamara, President, Chamber of Commerce Hawaii, and wished her a happy birthday.

## ORDER OF THE DAY

INTRODUCTION OF RESOLUTIONS  
(FLOOR PRESENTATIONS)

The following resolution (H.R. No. 148) was announced by the Clerk and the following action taken:

H.R. No. 148, entitled: "HOUSE RESOLUTION CONGRATULATING THE ROOSEVELT HIGH SCHOOL TEAM AS THE 2017 LIFESMARTS HAWAII STATE CHAMPIONS," was offered by Representative Luke.

Representative Luke moved that H.R. No. 148 be adopted, seconded by Representative Belatti.

Representative Luke recognized LifeSmarts as a valuable competition that teaches the importance of day to day life skills that will service as an invaluable resource for the competitors as they move forward in life and become leaders of the future, and introduced honorees who were seated on the Floor of the House:

Team Captain: Bryan Kitsu, who was unable to attend;  
Team Members: Zeheng Huang – Astronomy and Physics;  
Hajin Jang – Economics, Philosophy and Law;  
William Li – Human Relations, Law and Ethics;  
Elvis Tran – Chemistry, Engineering and  
Mathematics; and  
Coach: Mr. Brian Lock, who was unable to attend.

Representative Belatti congratulated and commended the team for their hard work and dedication to academic excellence, wished them the best of

luck in the national championship, and introduced additional honoree who was seated on the Floor of the House:

Ms. Theresa Kong Kee, LifeSmarts Program Coordinator.

Representative Belatti also recognized guests who were seated in the gallery:

Mr. Sean Wong, Principal, Roosevelt High School;  
Ms. Catherine Awakuni Colón, Director, Department of Commerce and Consumer Affairs;  
Mr. Henry Tanji, Acting Commissioner of Securities;  
Ms. Ariana Masuoka, LifeSmarts Program Assistant;  
Mr. Grant Kashiwabara, Business Services Manager, Hawaii Credit Union League; and  
Ms. Florence Kong Kee, UPW Local 646.

Representative Onishi congratulated the Roosevelt High School team, and thanked DCCA and the sponsors for organizing the competition to give students the opportunity to showcase their talents and knowledge in the different areas of life.

The motion was put to vote by the Chair and carried, and H.R. No. 148 was adopted, with Representatives Aquino, Ichiyama and Souki being excused.

The following resolution (H.R. No. 149) was announced by the Clerk and the following action taken:

H.R. No. 149, entitled: "HOUSE RESOLUTION CONGRATULATING THE WINNERS OF THE HAWAII: NEXT 50 CONTEST," was jointly offered by Representatives Ohno, Belatti, Fukumoto, Hashem, Keohokalole, Lowen, Nakashima, Quinlan and Takayama.

Representative Ohno moved that H.R. No. 149 be adopted, seconded by Representative Nakashima.

Representative Nakashima recognized former Governor George Ariyoshi for his book "Hawaii: The Past Fifty Years, the Next Fifty Years" which inspired the Hawaii: Next 50 contest, and celebrated Hawaii's students who have demonstrated a clear understanding of the problems facing Hawaii and offer a unique vision of Hawaii for the next 50 years by looking at the concept of incorporating technology to create a more sustainable Hawaii, while also addressing the issues of affordable housing, growing and selling local produce, and entrepreneurship.

Representative Fukumoto recognized sponsors and judges for their support and dedication to empowering Hawaii's youth, and introduced guests who were seated in the gallery:

Ms. Sherry Menor-McNamara, Chamber of Commerce Hawaii;  
Ms. Meli James and Mr. Omar Sultan, Sultan Ventures;  
Ms. Jamie Kinoshita Oliveira, aio Foundation;  
George Engebretson, Watermark Publishing and Legacy Isle Publishing;  
The Hawaii Crop Improvement Association;  
Ms. Robbie Melton, High Technology Development Corporation;  
Ms. Kimberly Canepa, Chaminade University; and  
Mr. Jacob Noh, Hawaii Medical Assurance Association.

Representative Hashem recognized and introduced honoree who was seated on the Floor of the House:

Eliana Sueoka, Aina Haina Elementary School, Grades 4-5 Essay Winner. She was accompanied by her parents, Mr. and Mrs. Edward and Eva Sueoka; and teacher, Ms. Kristin Chormann, who were seated in the gallery.

Representative Ohno recognized and introduced honoree who was seated on the Floor of the House:

Kershylle Alivio, Maemae Elementary School, Grades 6-8 Multimedia Winner. She was accompanied by her parents, Mr. and Mrs. Jason and Loi Bailey, who were seated in the gallery.

Representative Keohokalole recognized and introduced honoree who was seated on the Floor of the House:

Kye Steele, King Intermediate School, Grades 6-8 Essay Winner. He was accompanied by his mom, Ms. Mei Chang; and teacher, Ms. Rochelle Tavares, who were seated in the gallery.

Representative Takayama recognized and introduced honoree who was seated on the Floor of the House:

Remy Kubota, Highlands Intermediate School, Grades 6-8 Poster Winner. She was accompanied by her parents, Mr. and Mrs. Craig and Evelyn Kubota; and teacher, Mr. Mark Yamashita, who were seated in the gallery.

Representative Lowen recognized and introduced honoree who was seated on the Floor of the House:

Robert Dempsey, Kealakehe High School, Grades 9-12 Essay Winner. He was accompanied by his mother, Mrs. Gayla Dempsey; and sister, Taylor Dempsey, who were seated in the gallery.

Representative Quinlan recognized and introduced honoree who was seated on the Floor of the House:

Aiyana Bennion, Kahuku High School, Grades 9-12 Video Winner. She was accompanied by her mom, Ms. Laura Miller, who was seated in the gallery.

The motion was put to vote by the Chair and carried, and H.R. No. 149 was adopted, with Representatives Aquino, Ichiyama and Souki being excused.

At 12:35 o'clock p.m., the Chair declared a recess subject to the call of the Chair.

The House of Representatives reconvened at 12:44 o'clock p.m.

#### REPORTS OF STANDING COMMITTEES

Representatives Brower and Yamane, for the Committee on Housing and the Committee on Water & Land, presented a report (Stand. Com. Rep. No. 1226) recommending that S.B. No. 715, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committees was adopted and S.B. No. 715, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO THE SPECIAL ACTION TEAM ON AFFORDABLE RENTAL HOUSING," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Brower, for the Committee on Housing, presented a report (Stand. Com. Rep. No. 1227) recommending that S.B. No. 1266, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1266, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO AFFORDABLE HOUSING," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representatives Morikawa and Belatti, for the Committee on Human Services and the Committee on Health, presented a report (Stand. Com. Rep.

No. 1228) recommending that S.B. No. 285, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committees was adopted and S.B. No. 285, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO THE NURSING FACILITY SUSTAINABILITY PROGRAM," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Morikawa, for the Committee on Human Services, presented a report (Stand. Com. Rep. No. 1229) recommending that S.B. No. 519, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Judiciary.

Representative Saiki moved that the report of the Committee be adopted, and that S.B. No. 519, SD 2, HD 1 pass Second Reading and be referred to the Committee on Judiciary, seconded by Representative Evans.

Representative Tupola rose to speak in support of the measure with reservations, stating:

"With reservations. Mr. Speaker, I want to make it clear that I am against domestic violence. This bill has come up three years in a row, and so my concern obviously is when there's not a written statement, how that accusation is going to be held up in a court of law and how it's going to be prosecuted. So if we pass something that possibly makes it harder for that to happen, where somebody does need to be prosecuted for domestic violence, then we've gone in the wrong direction.

"When I talked with both proponents and opponents of this bill, they still hadn't talked, hadn't spoken, so perhaps I need to bring both groups together so we can get something done and make something happen where both agree, and we can address this issue. Thank you."

Representative McDermott rose to speak in opposition to the measure, stating:

"No vote for the reasons the previous speaker mentioned."

Representative Ward rose to speak in support of the measure with reservations, stating:

"Mr. Speaker, with reservations for the same reasons as the speaker except this, with a brief comment, is trying to institutionalize the handshake which, now everything has got to be done by contract. This kind of goes back to when your hand was your bond, and when you give a report with someone who doesn't have to write it, they say, I never said that.

"So we're opening a door for a lot of mischief, even though I see the way that it would be easier to report violence. But the way that if it gets contested later on, people could deny that they actually implemented this complaint, *et cetera*, and for the police and the prosecutor and all those in between, it's going to be rather confusing. So good intentions, but I'm not sure its implementation is realistic. Thank you, Mr. Speaker."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 519, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO DOMESTIC VIOLENCE," passed Second Reading and was referred to the Committee on Judiciary, with Representatives Tupola and Ward voting aye with reservations, with Representative McDermott voting no, and with Representatives Aquino, Ichiyama and Souki being excused.

Representative McKelvey, for the Committee on Higher Education, presented a report (Stand. Com. Rep. No. 1230) recommending that S.B. No. 141, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 141, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO PHYSICIAN WORKFORCE ASSESSMENT," passed Second Reading

and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative McKelvey, for the Committee on Higher Education, presented a report (Stand. Com. Rep. No. 1231) recommending that S.B. No. 826, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 826, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO THE PUNA DISTANCE LEARNING CENTER," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative McKelvey, for the Committee on Higher Education, presented a report (Stand. Com. Rep. No. 1232) recommending that S.B. No. 1294, SD 1, HD 1 be referred to the Committee on Finance.

Representative Saiki moved that the report of the Committee be adopted, and that S.B. No. 1294, SD 1, HD 1 be referred to the Committee on Finance, seconded by Representative Evans.

Representative LoPresti rose to speak in support of the measure, stating:

"In support. I just wanted to state it for the record that I had earlier concerns that I had expressed on this, and I believe I was mistaken. I support it."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1294, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO NATIVE HAWAIIAN HIGHER EDUCATION," was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Brower, for the Committee on Housing, presented a report (Stand. Com. Rep. No. 1233) recommending that S.B. No. 1244, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1244, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO AFFORDABLE HOUSING," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Onishi, for the Committee on Tourism, presented a report (Stand. Com. Rep. No. 1234) recommending that S.B. No. 704, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

Representative Saiki moved that the report of the Committee be adopted, and that S.B. No. 704, SD 2, HD 1 pass Second Reading and be referred to the Committee on Finance, seconded by Representative Evans.

Representative Thielen rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. I'm rising to speak against Senate Bill 704, relating to vacation rentals. I am definitely in opposition.

"Mr. Speaker, the measure that came over from the Senate made a lot of sense. It put together a task force that was going to be looking into this very problematic issue of vacation rentals. Unfortunately, in Tourism Committee, they gutted the Senate bill and put back in the House Bill 1471, which is the bill exactly that the Airbnb operators would want to have.

"Mr. Speaker, we've had a real problem. Maybe it's primarily Oahu, or it may be other islands as well, but there's about 33,000 homes that are taken out of our local housing for our local people, and they're being churned as vacation rental houses. Many of them are owned by people that don't live within Hawaii. And they also drive up the price of the real estate, because when those homes are marketed to these out-of-state owners, they say, factor

in, you can get it with Airbnb, and you can churn this house and bring the people in like a hotel, in the residential area.

"So it's a shame, more than a shame, it's I think really bad policy for us to put that original House bill in. I know that there were 100% on the Tourism Committee voting in favor of this gut-and-replace, but when you look at the House version, 1471, you'll find that a good, sizeable amount of this body had very serious concerns with that measure. It's justified, Mr. Speaker.

"On the windward side, we're really hit with those illegal vacation rentals, and I'm talking about primarily the ones where it's an out-of-state owner, they have a keypad at the door, and someone from somewhere else gives the Airbnb clients the keypad number, in they go, no concern about the community, this small residential street. They're there partying late at night. The neighbor next door has to get up at 5:00 a.m. to get to work after having very little sleep during the night. It's not a good mix, and it's hurting our tourism industry because these are illegal operators.

"Now, I know that people are going to stand up and say, oh, well, we have protections in the bill. Mr. Speaker, they're meaningless. The 33,000 homes that are being rented, of course they're going to tick the little box that says, by accepting the terms of service, I agree and attest that I have reviewed all applicable laws and regulations, and that my listing is in compliance. Come on, of course they're going to tick that, they're making huge amounts of money off the backs of our residential areas.

"I don't know if the Big Island has the same problem. I believe there are areas on Maui that do, I know that Kauai does. And we certainly on our whole windward side of the island are just hammered with these illegal vacation rentals.

"So I vote a resounding no. The tax money is not worth taking housing away from local people. It is just not worth that. You may get a few more tax dollars, but you've got people that are ratcheting down, down, down to becoming living on the streets, because these houses, these rooms, these areas, are not available.

"And that mainland company, like Airbnb, they don't give a rip. All they're in it for is the money. They're not local. They don't care what they've done to our housing."

Representative Say rose to yield his time, and the Chair "so ordered."

Representative Thielen continued, stating:

"Thank you. Thank you very much, Speaker Emeritus. I appreciate that. I appreciate the bipartisanship on that, that was very nice.

"It's something that I want us all to look at, because what this bill does, first of all, it hurts the mainstream tourist industry, but it came out of the Tourism Committee.

"Second of all, it hurts people trying to get homes. It hurts the new young families trying to buy a home, because anyone that is marketing these, and I'll tell you they're mainland people buying them, they're snapping them up with Airbnb factored in. Your lenders are factoring in this, even though it's illegal, and that housing comes right away from anyone that might want to buy a home locally. It would be available if someone wants to buy a home and churn it as a vacation rental, but not for people to live in our neighborhoods.

"You know what it's like, Mr. Speaker, when you go door to door, you walk up to a house, it's sterile. There's one of those keypad things on the doorknob. Nothing that shows, no bicycles, no slippers, no anything, no games, no football, no nothing. And what's happening, it's a sterile house until it's occupied by the family that's paying big bucks to come, so they're going to just rock around the clock. And the noise and the total unconcern that they are in a residential area, used to be quiet residential area.

"People are just fed up with this, and this bill allows it to continue. Ticking a box, anyone that's been renting illegally is going to tick away on that box, and there's no protection, no protection for our neighborhoods, and no

protection for having 33,000 houses available in our local community. So a resounding no, Mr. Speaker. Thank you."

Representative Quinlan rose to speak in opposition to the measure, stating:

"The Representative from Kailua said all my stuff, so a no vote, and may her words be entered as my own. Thank you," and the Chair "so ordered." (By reference only.)

Representative Lowen rose to speak in support of the measure with reservations, stating:

"Thank you, Mr. Speaker. With reservations, and just a few brief comments. As far as I know, Hawaii County doesn't have laws regulating vacation rentals right now, unlike the other counties. So giving them funding to enforce, I'm not sure what that would do, so I'd like to see our county move forward with that.

"And then, looking at the \$4 million allocated to the counties, I don't know if there's been any discussion if that should be allocated based on population, so I think there's still more work to be done on this bill. Thank you."

Representative DeCoite rose to speak in support of the measure with reservations, stating:

"Thank you, Mr. Speaker. With reservations and a brief comment. Like the previous speaker said, in my district in Paia and Haiku, we're dealing with the same issues there. It's cause for major concern for the people that already live there, in encroachments of noises and late-hour partying. So with that, I have reservations, Mr. Speaker. Thank you."

Representative Ward rose to speak in opposition to the measure, stating:

"Mr. Speaker, no vote with a brief comment. Generally speaking, East Honolulu feels quite like Kailua, but not quite in the same way, tenor or tone. And I think in terms of where the blame is, you can't blame the elderly people who rent out a room, or the young people trying to rent a couch. There are some people that I just learned recently rent a couch for \$30 a night so they can get their tuition for school.

"Cost of living is tough. And what we've done is create an underground community, an underground economy, one that, in the absence, and this is where I'm going to put the blame on the City and County of Honolulu, they kick the can down the road and say, okay, you guys at the State, you want to play around with it, fine, but we're not touching it.

"I think we should kick it back in their court. I think we should refuse it the way the Governor had done the veto last year. I think the same thing, we should kick it back to the city and county, say, look, you guys have not done anything since 1989. You've got a couple of hundred B&Bs, why are you not regulating or giving more licenses, or at least tempering it to where people have a chance to get a license. And instead they just kick the can down the road to us. And that's why it's very divisive in our communities.

"And lastly, Mr. Speaker, observation, and one that's not a pleasant one, that we are using gut-and-replace as if it's going out of style, the way we used to. I thought we made a vow, if you will, that we were not going to gut-and-replace so much, but it's popping up everywhere. And I think this is one example of where it's really to the detriment of the public not having a hearing ahead of time. Thank you, Mr. Speaker."

Representative Brower rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In support. I have some concerns on this measure, but sometimes people like ourselves who are very concerned about public perception, we have a problem embracing two views that may be in conflict, and I think what we have to do on this measure, we need to pass the bill. We need to tax vacation rentals so people are paying their fair share of taxes, as the hotels are. And we also need to enforce our city zoning laws.

"So we have to do two conflicting things that may seem to contradict each other, but this is what we have to do with complex issues, and then we also have to explain that to the public. Thank you."

Representative Evans rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. I stand in strong support. I really like this discussion about the problems that are happening in our neighborhood, but I personally believe that they belong to the county, at the county level, when it comes to enforcement and what's really happening in our neighborhoods, where it's becoming unbearable.

"I think what we're talking about is different from that discussion, and I wanted to point out to the members what the purpose of the act was, and for the public that is listening. The purpose of this act is to enable a transient accommodations broker to register as a tax collection agent with respect to transient accommodations taxes and general excise taxes for its operators and plan managers in a manner that recognizes the dynamic changes occurring in the vacation rentals sector. It is not intended to preempt or otherwise limit the authority of counties to adopt, monitor and enforce local land use regulations, nor is this act intended to transfer the authority to monitor and enforce such regulations away from the counties.

"I think what's happening is all of us are being impacted of what I call the technology, the new wave that came about with computers. We're dealing with Uber and Lyft and the fact people can get on their cellphones and now they can order taxis to their house, and it's changing the whole way we deal with it. Who would have known that we were going to use it, and we're going to have Uber and Lyft? I didn't predict that. I also didn't predict that Amazon was going to be selling so much over the Internet, now we're talking about should we tax Amazon for people ordering stuff from the mainland. But that's all come about because of technology.

"So this economy that one of the representatives spoke about being an underground economy, I would say it's just the opposite. It's not an underground economy, it's the new economy, it's the way we do business, and the fact that now that people can join and advertise their vacation rental online, that's just a new service that's being added.

"I think the fallout that all of us are talking about, yeah, there might be some fallout, but the reality is, is people aren't paying their taxes, they're not paying GET, they are doing vacation rentals, if we like it or not, they're going to continue doing vacation rentals.

"If we really want to get down to the real problem, the fact is called affordability. People buy houses, maybe they live in them, maybe they don't, but they can't afford to keep these houses if they don't rent rooms, or they rent vacation rentals.

"The other problem we're having is you know that people pay more to vacation rent if they added up, like, if you said, okay, for every week I get x amount of dollars, and the person, they're looking at the bottom line. They're going to say, you know what, I make more money doing vacation rentals than I do for long-term rentals. And so it's becoming a choice, which one gets me more money? The reality is, if we start collecting the GET tax, and we start collecting the TAT tax, maybe they'll figure out it's better for them to do long-term rentals.

"So, we're in a time where this is a very complicated issue that's not an easy answer, but the reality is it's here, and it's here to stay. So to avoid it and kill a bill, I think is the wrong way to go. I think we need to advance the bill. Thank you, Mr. Speaker."

Representative Kobayashi rose to speak in support of the measure with reservations, stating:

"Mr. Speaker, I rise with reservations. I rise with reservations similar to the last time I spoke on the House bill. But I would note a big difference between the Senate bill and the House bill. The House bill had the title, relating to taxation. This one has, relating to vacation rentals. So, in the House bill, it may have been difficult if not unconstitutional to include matters relating to local zoning and compliance to local zoning. So I think in terms of just the title, this is a better bill.

"Please note that the Governor has promised that he would work on a compromise such that he would not have to veto this bill as he vetoed last year's bill. I would note further that I think that the comment about this bill trying to do two conflicting things is still problematic.

"If you comply with taxation laws and pay your GET tax and your TAT tax with one hand, but on the other hand violate local zoning laws, I think that that person is still guilty. So I think that full compliance would be the ideal solution.

"I note further that when the proponents of Airbnb came to House Finance Committee, they said that their aim was to create a bill and a process which was, quote, 'totally auditable.' This bill serves as a shield blocking certain information, including how many units paid how much, where and whether they are in actual compliance. I do not consider that totally auditable.

"So for these reasons, and with the hope that springs eternal that someone may figure out a compromise, I'm voting with reservations."

Representative Thielen rose to respond, stating:

"Still in opposition. Mr. Speaker, I understood what the Majority Floor Leader was saying. It's a complicated issue. That's why the bill that went into Tourism Committee was correct. What that bill would have done, establish an online vacation rental working group to develop effective data collection methods that can assist the State and the county departments in monitoring the impact that short-term vacation rentals have on tax collections, housing stock, that's critical, and the State's brand as a vacation destination. That is the way to go.

"The bill goes on to Finance, and if Finance committee members, if they can get the concurrence of the Tourism Chair, the bill could go back to its original form, which is very sensible. Put together the working group to deal with this complex issue. Bring the city and county departments in to be part of that solution, because it's an inter-governmental solution as well. But don't just sell out to Airbnb and take away housing from our local people for a little bit of tax money. That's not good policy. Thank you."

At this time, the Chair stated:

"Thank you. Before we go to Representative Tupola followed by Representative LoPresti, I'm supposed to be simply a conductor, completely objective here. Nevertheless, the bill can always revert to the original form in a Senate bill, should this go to conference. So I'm not saying this to argue against the prior Representative, your thoughts and insights were correct. However, it can always revert to the original bill, the Senate bill, that was heard in Tourism. Thank you very much."

Representative Tupola rose to speak in opposition to the measure, stating:

"Thank you, Mr. Speaker. Please register a no vote for me. Thank you for your clarification on the process. I do want to thank my colleague from Kailua for bringing up so many valid points.

"What she spoke to in this last one was regarding the previous version, which was the Senate bill, which would convene a working group. And I would say, the last time we had this conversation, we might have done more research than was ever done on the issue, when everyone started looking up who emailed them and if they were legal or not.

"And so, for us to determine a path forward, first, and figure out what order things need to go in before we tax people, I think that's super important. Because what we're talking about is, is it important to tax people first, or determine if they're legal first?

"And so, I would say that I would opt for the latter, which is make sure that they're legal first. I want to echo the sentiments of our prior colleague, Derek Kawakami from Kauai, because when this came up last year, he said that, he said once you start taxing illegal entities, it therefore makes them legal, and that's the question that we need to ask ourselves, is what order we should be doing this in.

"So I guess I'm excited to see whatever version comes out, and then determine where I stand from there, but for right now, a no vote. Thank you."

Representative Matsumoto rose and asked that the Clerk record an aye vote with reservations for her, and the Chair "so ordered."

Representative LoPresti rose to speak in support of the measure with reservations, stating:

"Thank you, Chair. If I wasn't on Finance, I'd say no, but I'm on Finance, so maybe we'll get a chance to look at this again.

"I've got a number of concerns. I'll begin with the money. Looking at giving \$4 million, \$1 million to each county, seems rather odd to me. I love going to Kauai, but they have fewer people than we have just in Ewa, in Ewa Beach. And we're going to give an equal amount of money to that county, and an equal amount of money to my county, where we have almost 800,000 people. That doesn't make any sense to me, regardless of whether or not certain counties have acted in good faith to enforce this or not. If we're going to give resources, we should give them commensurate to the population, to the problem.

"For those who engage in vacation rentals for meeting rent, for meeting their obligations to their lenders, you can rent out, legally, a bedroom. The idea that just because you're going to make more money doing something doesn't mean, in my opinion, that we should step aside, say, well, yeah, that might make rational sense. I can make more money selling illegal drugs than having a full-time job. It doesn't mean that we should look at finding a way to help me pay my taxes, because actually it's illegal that I don't pay my taxes if I'm a drug dealer.

"But, well, to quote the colleague in front of me, this is a slippery slope. Where do we stop? Maybe they shouldn't have moved me over here, I don't know. But I'm really concerned about this logic, because we're talking about people knowingly engaging in illegal activity. We know that it's easy to click this button and say that, yeah, I'm complying with all local laws.

"If we really cared about this issue, because when the counties fail to act, the State must. The counties are creatures of the State. And when they fail, we need to step in, and we can do a lot of different things. We can, and probably I think should, make it criminal to engage in this illegal activity, make it a misdemeanor. It should be criminal for a platform agency to enable people to engage in this illegal activity, and profit off of it. And I don't mean just, it's already illegal, this should be a misdemeanor, at least.

"Because it's rather simple to create a way of proving that you have a legal vacation rental. The counties can issue a letter and say, you have a valid one, and we say to Airbnb and Expedia, this is the way that the State of Hawaii acknowledges legal vacation rentals. That's really easy to do, and I don't understand why, if we really care about this, we're not doing this.

"And last but not least, a lot of the units that are being rented out through things like Airbnb, these are expensive beachfront properties. This isn't a shanty in some corner of the islands. These are units that are being bought by people to make money using this mechanism.

"It's not necessarily, at least in my district, too many people down the street. If the only way you can afford beachfront property is to engage in illegal activity, why the heck are we making it easier for them to engage in this illegal activity to buy beachfront property? It doesn't make sense. So, I'm very, very strong reservations. Thank you."

Representative Tokioka rose to speak in support of the measure, stating:

"Thank you, Mr. Speaker. In support. I first want to thank the Chair of the Tourism Committee, because he worked extremely hard on this bill, and I know he's sitting there very humbly, listening to the discussion. But it's not like we didn't put any thought into what this bill does.

"And I heard a lot of discussions about what the counties do and what the counties don't do. I was a councilmember for 10 years, before I got to this body. Now, some of the counties have better laws regarding short-term and

vacation rentals. Some of them don't. I don't know how much they're going to need to enforce this, but I think starting with an appropriate amount of money, which the Chair of Tourism did, \$1 million for each county, because you're going have to put some of that infrastructure in there if it's not already there. Maybe that may not be the number, but that was a good place to start, and I commend the Chair for that.

"This is a complicated issue, and I think the testimony that made me realize what we're losing out on here is Ted Shiraishi from the Department of Taxation came and he said, if they're going to do it, we may as well tax it. Not that they're doing it legally, because the city and the counties, they need to enforce that, but part of the discussion is whether we're going to have identifying numbers attached to each unit. But the Department of Taxation has the investigative authority to go and look at those people paying the tax to the platforms. So that's how we address that issue later on down the road.

"So I'd just like to thank, again, the Chair of Tourism for all of his hard work, because it's not an easy issue. The former Chair of Tourism said it, and kind of the first time, I was waiting for the punchline but there was none, because he's absolutely right. So for those reasons I'm in strong support. And I know it's difficult. In many, many areas, in the rural areas, people don't want that, for all of the discussion that was said right here.

"But if we don't do anything, is Airbnb going to stop? I don't think so. And if they're not going to stop, then we better figure out how we're going to collect the money. Thank you very much."

Representative San Buenaventura rose to speak in support of the measure, stating:

"Thank you, in strong support. There is nothing in this bill that legalizes illegal transient accommodations. Nothing. Basically, if this bill doesn't pass, the people who are voting against it are actually incentivizing illegal transient accommodations. Why? Because it allows them to sell the rooms for a cheaper rate than those who legally pay their taxes. As I said last time, taxation can be used as an incentivizing or a disincentivizing. This disincentivizes illegal activities.

"As I stated in the last session, just because it's illegal doesn't mean that you don't pay taxes. And I gave the most famous example, Al Capone. Al Capone was not incarcerated because of his illegal activities. He was incarcerated, he was finally put away, because he failed to pay his taxes on illegal activity.

"They did not say, pay your taxes and everything else you did is now legitimized. There's nothing in this law that legitimizes illegal activity. Those who are against this can go submit their own bills that do exactly what it is they want to do.

"This is an enforcement capability. It's very difficult, especially in lean times, to increase taxes. This allows us to enforce taxes that we have already enforced, that we have already said they are required to do. Let's enforce it, otherwise we're going be forced to increase taxes on legal or illegal activity. Thank you."

Representative Ing rose to speak in support of the measure with reservations, stating:

"With reservations. Also I'd like to call for the question on this second reading bill."

At this time, Representative Ing called for the previous question.

Representative Holt rose and asked that the Clerk record an aye vote with reservations for him, and the Chair "so ordered."

Representative Keohokalole rose and asked that the Clerk record an aye vote with reservations for him, and the Chair "so ordered."

Representative Cachola rose and asked that the Clerk record an aye vote with reservations for him, and the Chair "so ordered."

Representative Lee rose and asked that the Clerk record an aye vote with reservations for him, and the Chair "so ordered."

Representative Gates rose and asked that the Clerk record an aye vote with reservations for him, and the Chair "so ordered."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 704, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO VACATION RENTALS," passed Second Reading and was referred to the Committee on Finance, with Representatives Cachola, DeCoite, Gates, Holt, Ing, Keohokalole, Kobayashi, Lee, LoPresti, Lowen and Matsumoto voting aye with reservations, with Representatives Quinlan, Thielen, Tupola and Ward voting no, and with Representatives Aquino, Ichiyama and Souki being excused.

Representative Nakashima, for the Committee on Economic Development & Business, presented a report (Stand. Com. Rep. No. 1235) recommending that S.B. No. 761, SD 2 pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 761, SD 2, entitled: "A BILL FOR AN ACT RELATING TO BUSINESS DEVELOPMENT," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Nakashima, for the Committee on Economic Development & Business, presented a report (Stand. Com. Rep. No. 1236) recommending that S.B. No. 1306, SD 1, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1306, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Nakashima, for the Committee on Economic Development & Business, presented a report (Stand. Com. Rep. No. 1237) recommending that S.B. No. 1086, SD 2, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

Representative Saiki moved that the report of the Committee be adopted, and that S.B. No. 1086, SD 2, HD 1 pass Second Reading and be referred to the Committee on Finance, seconded by Representative Evans.

Representative Choy rose and asked that the Clerk record a no vote for him, and the Chair "so ordered."

The motion was put to vote by the Chair and carried, and the report of the Committee was adopted and S.B. No. 1086, SD 2, HD 1, entitled: "A BILL FOR AN ACT RELATING TO THE MOTION PICTURE, DIGITAL MEDIA, AND FILM PRODUCTION INCOME TAX CREDIT," passed Second Reading and was referred to the Committee on Finance, with Representative Choy voting no, and with Representatives Aquino, Ichiyama and Souki being excused.

Representative Yamane, for the Committee on Water & Land, presented a report (Stand. Com. Rep. No. 1238) recommending that S.B. No. 558, SD 1, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 558, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO INVASIVE SPECIES," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Woodson, for the Committee on Education, presented a report (Stand. Com. Rep. No. 1239) recommending that S.B. No. 197, SD 1,

as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 197, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO CHARTER SCHOOLS," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Woodson, for the Committee on Education, presented a report (Stand. Com. Rep. No. 1240) recommending that S.B. No. 199, SD 1, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 199, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO TEACHER INCENTIVES," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Woodson, for the Committee on Education, presented a report (Stand. Com. Rep. No. 1241) recommending that S.B. No. 215 pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 215, entitled: "A BILL FOR AN ACT RELATING TO EDUCATION," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Woodson, for the Committee on Education, presented a report (Stand. Com. Rep. No. 1242) recommending that S.B. No. 195, SD 1, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 195, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO THE HAWAII TEACHER STANDARDS BOARD," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representative Woodson, for the Committee on Education, presented a report (Stand. Com. Rep. No. 1243) recommending that S.B. No. 1100, SD 1, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committee was adopted and S.B. No. 1100, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO RECORDS MANAGEMENT," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

Representatives Woodson and Nakashima, for the Committee on Education and the Committee on Economic Development & Business, presented a report (Stand. Com. Rep. No. 1244) recommending that S.B. No. 619, SD 1, as amended in HD 1, pass Second Reading and be referred to the Committee on Finance.

On motion by Representative Saiki, seconded by Representative Evans and carried, the report of the Committees was adopted and S.B. No. 619, SD 1, HD 1, entitled: "A BILL FOR AN ACT RELATING TO EDUCATION," passed Second Reading and was referred to the Committee on Finance, with Representatives Aquino, Ichiyama and Souki being excused.

## ANNOUNCEMENTS

At this time, the Chair stated:

"I'd like to remind the committee chairs that today is second lateral filing deadline. For those that need to move to their final committees, please file your committee reports and drafts with the Chief Clerk's Office by 9:00 p.m. tonight."

## ADJOURNMENT

At 1:18 o'clock p.m., on motion by Representative Evans, seconded by Representative Ward and carried, the House of Representatives adjourned until 12:00 o'clock noon tomorrow, Friday, March 24, 2017. (Representatives Aquino, Ichiyama and Souki were excused.)