

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 284, S.D.1, PROPOSED S.D. 2

March 4, 2015
10:00 A.M.

RELATING TO TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 284, S.D.1, Proposed S.D.2, allocates \$3,000,000 of transient accommodations tax (TAT) revenues to the special land and development fund to be expended in accordance with the long-range strategic plan for tourism, and further authorizes Department of Land and Natural Resources (DLNR) to issue \$40,000,000 in revenue bonds and to use the proceeds to acquire a conservation easement in Turtle Bay, Oahu, and allocates TAT revenues of \$3,000,000 annually to DLNR to pay the debt service on the revenue bonds and ongoing expenses related to the bonds.

The Department supports this measure. Please note, however, that the Department has been advised by the Department of the Attorney General that the following amendments were inadvertently excluded from the bill,

- 1) Repeal of Section 201B-8.5, HRS (Revenue bonds for conservation easement in Turtle Bay, Oahu) (see Exhibit A),
- 2) Repeal of Section 201B-8.6, HRS (Turtle Bay conservation easement special fund) (see Exhibit A), and
- 3) Deletion of Part I, Section 2 (b)(4) of the bill (see Exhibit B).

In addition, as the Department currently has the statutory authority to renegotiate the reimbursable general obligation debt, subject to the approval of the Governor, the Department is recommending the repeal of Section 5 of Act 81, Session Laws of Hawaii 2014 (see Exhibit C).

Furthermore, current market conditions with minimal structuring requirements may allow for the issuance of \$40,000,000 of revenue bonds with annual debt service and related issuance expenses being less than \$3,000,000 per year. However, should interest rates rise and/or investors require increased structuring considerations, such as a revenue coverage ratio in excess of one to one or the funding of a debt service reserve fund, additional funding in excess of \$3,000,000 per year may be necessary to finance the acquisition of the conservation easement in Turtle Bay.

Thank you for the opportunity to provide testimony on this measure.

Exhibit A

SECTION . Section 201B-8.5, Hawaii Revised Statutes, is repealed.

~~["§201B-8.5] Revenue bonds for conservation easement in Turtle Bay, Oahu. (a) As authorized by section 6 of Act 81, Session Laws of Hawaii 2014, the authority shall issue revenue bonds to acquire a conservation easement in Turtle Bay, Oahu. The public shall have perpetual public access to said conservation easement. The conservation easement shall be in compliance with chapter 198.~~

~~Prior to executing the agreement to acquire the conservation easement, the authority shall:~~

~~(1) Obtain an appraisal and perform its due diligence on the conservation easement and property rights proposed to be acquired; and~~

~~(2) Offer to hold an informational briefing for the legislature. The offer shall be made through the president of the senate and speaker of the house of representatives.~~

~~(b) For the purpose of this section, the authority shall be deemed a "department" and the acquisition of the conservation easement shall be deemed an "undertaking" under chapter 39.~~

~~(c) The revenue bonds issued to acquire the conservation easement shall be secured by and payable from the transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund established pursuant to section 201B-8.6. For this purpose, the revenues allocated shall be deemed "user taxes" for the undertaking.~~

~~(d) The revenue bonds shall be issued in accordance with chapter 39, part III. The authority shall request the director of finance, on behalf of the authority, to perform the duties specified under section 39-68 regarding the preparation, sale, and administration of the revenue bonds."~~

SECTION . Section 201B-8.6, Hawaii Revised Statutes, is repealed.

~~["**§201B-8.6** Turtle Bay conservation easement special fund. (a) There is established the Turtle Bay conservation easement special fund.~~

~~(b) Transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund pursuant to section 237D-6.5 shall be deposited into the special fund. All interest earned on the moneys in the special fund shall be credited to the special fund.~~

~~(c) Moneys in the Turtle Bay conservation easement special fund shall be expended to pay the debt service on revenue bonds issued to acquire the conservation easement in Turtle Bay, Oahu, pursuant to section 201B-8.5.~~

~~(d) The Turtle Bay conservation easement special fund shall be exempt from the central service expenses of section 36-27 and departmental administrative expenses of section 36-30."~~

Exhibit B

Part I, SECTION 2 (b)(4) of Senate Bill No. 284 S. D. 2 (proposed), is deleted.

~~“(4) \$3,000,000 shall be allocated to the Turtle Bay conservation easement special fund established under section 201B-8.6 for the payment of debt service on revenue bonds, the proceeds of which were used to acquire the conservation easement in Turtle Bay, Oahu, until the bonds are fully amortized;”~~

Exhibit C

SECTION 5 of Act 81, Session Laws of Hawaii 2014, is repealed.

~~"SECTION 5. (a) The executive director of the Hawaii tourism authority and the director of finance shall enter into negotiations to restructure the debt owed to the department of budget and finance for the convention center so that the annual amount payable on the debt service is not more than \$16,500,000 until fully retired.~~

~~(b) If the debt is not restructured as required under subsection (a), no state funds, including revenue bond funds, shall be expended to acquire any conservation easement or other real property interest in Turtle Bay, Oahu, notwithstanding the authorization under section 201B-A, Hawaii Revised Statutes, and sections 6 and 7 of this Act."~~

DAVID Y. IGE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
CARTY S. CHANG
Interim Chairperson**

**Before the Senate Committees on
WAYS AND MEANS**

**Thursday, February 26, 2015
9:00 AM
State Capitol, Conference Room 211**

**In consideration of
SENATE BILL 284, SENATE DRAFT 1
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Senate Bill 284, Senate Draft 1 proposes to allocate \$3,000,000 of Transient Accommodations Tax (TAT) revenues to the Special Land and Development Fund to be expended in accordance with the long-range strategic plan for tourism. **The Department of Land and Natural Resources (Department) strongly supports this bill.**

In 2013, the Legislature passed Senate Bill 1194, Conference Draft 1, which was signed into law 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 Hawaii Tourism Authority (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 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.

This measure, Senate Bill 284, Senate Draft 1 solves the issue of authority to expend the funds. The Department urges your strong support of 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
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS



Hawai'i Convention Center
1801 Kalākāua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii tourismauthority.org

David Y. Ige
Governor

Ronald Williams
Chief Executive Officer

Testimony of
Ronald Williams
President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. No. 284, Proposed S.D.2
Relating to the Transient Accommodations Tax
Senate Committee on Ways and Means
Wednesday, March 4, 2015
10:00 a.m.
Conference Room 211

The Hawaii Tourism Authority supports S.B. No. 284, Proposed S.D.2, with an amendment.

Act 161, Session Laws of Hawaii 2013, amended section 237D-6.5, to provide that \$3 million of the excess TAT revenues deposited into the general fund be allocated for programs to support the protection, preservation, and enhancement of natural resources important to the visitor industry, including planning, construction, and repair of facilities, and operation and maintenance costs for public lands connected with enhancing the visitor experience. The phrase "deposited into the general fund," however, created a problem because those funds could not be expended by the Department of Land and Natural Resources (DLNR) without being further appropriated.

Part I of S.B. 284, Proposed S.D.2, corrects this error by:

- Providing, in SECTION 2, that the \$3 million be allocated to the Special Land and Development Fund for the operation and maintenance costs of state parks, beaches, and trails, and costs associated with improving enforcement of ancillary regulations;
- Amending section 171-19, which creates the Special Land and Development Fund, to provide that monies in the Fund can be used for the "planning, development, management, operations or maintenance of all lands and improvements under the control and management" of the Board of Land and Natural Resources, pursuant to title 12, HRS, provided that TAT funds allocated to the Fund shall be expended in conformance to the HTA's long-range strategic plan; and

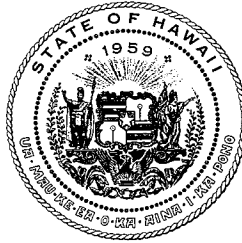
Part II assigns to DLNR the acquisition of the Turtle Bay conservation easement, and the authority to issue \$40 million in revenue bonds to acquire the conservation

easement. It further establishes a priority for the allocation of TAT revenues, allocates \$3 million annually in TAT revenues to pay the debt service on the bonds, establishes the Turtle Bay Conservation Easement Special Fund, and provides that DLNR may use the any appraisal and due diligence completed by HTA. The Proposed S.D.2, creates a confusion by also proposing to amend section 237d-6.5(b), and not including the amendment proposed in part I.

We have concerns that S.B. 284, Proposed S.D.2, establishes as the highest priority for the distribution of TAT revenues, the \$3 million allocation to the Turtle Bay Conservation Easement Special Fund. Further, the Proposed S.D. 2, does not correct section 237D-6.5(b)(5) to correct the error that the original S.B. 284 proposed. The revision of section 237D-6.5(b) should be addressed in one section to eliminate the confusion.

For these reasons, we support S.B. 284, Proposed S.D.2, but request that it be further amended to eliminate the confusion that it creates.

Mahalo for the opportunity to offer these comments.



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,
STATE-COUNTY FUNCTIONS WORKING GROUP, ON
SENATE BILL NO. 284, PROPOSED SENATE DRAFT 2,
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

(written testimony only)

**Senate Committee on Ways and Means
March 4, 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 Senate Bill No. 284, proposed Senate Draft 2, relating to the transient accommodations tax (TAT). I am conflicted from attending this hearing in person as the State-County Functions Working Group meeting is scheduled on the same date and time. This measure would, among other purposes, amend the rate of the TAT beginning July 1, 2016.

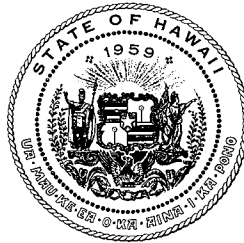
The Working Group was created by Act 174 (SLH 2014) and administratively placed within the Office of the Auditor. The Working Group, which first convened in October 2014, is comprised of 13 members appointed by the Governor, the Senate President, the Speaker of the House of Representatives, each of the 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 Senate Bill No. 284, proposed Senate Draft 2.



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,
STATE-COUNTY FUNCTIONS WORKING GROUP, ON
SENATE BILL NO. 284, PROPOSED SENATE DRAFT 2,
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

(written testimony only)

**Senate Committee on Ways and Means
March 4, 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 Senate Bill No. 534, relating to transient accommodations tax (TAT). I am conflicted from attending this hearing in person as the State-County Functions Working Group meeting is scheduled on the same date and time. This measure would, among other purposes, amend the rate of the TAT beginning July 1, 2016.

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 Senate Bill No. 284, proposed Senate Draft 2.



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

Testimony of George Szigeti
President & CEO
HAWAI'I LODGING & TOURISM ASSOCIATION
Senate Committee on **Ways and Means**
Hearing on February 26, 2015, 9:00 A.M.
SB 284 SD1 Relating to the Transient Accommodations Tax

Dear Chair Tokuda, Vice Chair Kouchi 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 SB 284 S.D. 1 Relating to the Transient Accommodations Tax, which allocates \$3,000,000 of transient accommodations tax revenues to the special land and development fund to be expended in accordance with the long-range strategic plan for tourism.

HLTA **supports** SB284 S.D. 1 because it corrects an error in Act 161, Session Laws of Hawai'i 2013, by changing the phrase “of the excess revenues deposited into the general fund pursuant to this subsection” to “\$3,000,000 shall be allocated to the special land and development fund...”. This will help streamline the process by which the allocated money is put to use designated under Act 161 for the preservation and management of natural resources and facilities important to the visitor industry. Also, the amendment to “public lands” to read “state parks, beaches, and trails, and costs associated with improving enforcement of ancillary regulations” helps in the clarification as to the use of the funds.

We urge your favorable consideration of this bill.

Thank you for this opportunity to testify.

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 284 Proposed SD2 Relating to the Transient Accommodations Tax
Senate Committee on Ways & Means
Wednesday, March 4, 2015, 10:00AM, 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 S.B. 284 Proposed SD2 to clarify the distribution and allowable uses of the TAT allocated to the Department of Land and Natural Resources.

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 Hawaii'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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THE TRUST *for* PUBLIC LAND

LAND FOR PEOPLE

THE TRUST FOR PUBLIC LAND'S TESTIMONY IN SUPPORT OF SB 284, SD 2

Senate Committee on Ways & Means

Wednesday, March 4, 2015, 10:00 a.m., Room 211

The Trust for Public Land strongly supports SB 284, SD 2 relating to the transient accommodation tax. This bill proposes to transfer the duties relating to the acquisition and financing of a conservation easement over the coastal and shoreline lands surrounding the Turtle Bay Resort from the Hawai'i Tourism Authority to the Department of Land and Natural Resources, and extend the time for completion of the acquisition. The Trust for Public Land will be contributing \$3.5 million to the overall \$48.5 million conservation transaction. The State will be contributing \$40 million. The City and County of Honolulu will be contributing \$5 million.

The Department of Land and Natural Resources (DLNR) is the public agency most familiar with conservation easements and the due diligence related thereto. Since 2005, it has administered the Legacy Land Conservation Program, which uses a small portion (10%) of the real estate conveyance tax for land conservation purchases in fee simple and via conservation easements. DLNR has staff and attorneys who support the department who understand and have worked with conservation easements in many contexts. DLNR is the public agency best suited to take on the responsibilities of completing the due diligence related to the conservation easement, and acquiring and closing the conservation easement transaction.

Also, while substantial progress has been made in the due diligence and documentation relating to the conservation easement, additional time is needed to complete these tasks, consult with the Legislature, and complete the re-financing of the convention center and issue the revenue bond.

I apologize that I will not be able to attend the legislative hearing. Mahalo for this opportunity to testify -



Lea Hong
Hawaiian Islands State Director

wam3 - Nicolas

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 12:40 AM
To: WAM Testimony
Cc: darakawa@lurf.org
Subject: Submitted testimony for SB284 on Mar 4, 2015 10:00AM

SB284

Submitted on: 3/3/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	No

Comments: The Land Use Research Foundation of Hawaii SUPPORTS SB 284, SD1, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX, which allocates \$3,000,000 of TAT revenues to the special land and development fund to be expended in accordance with the long-range strategic plan for tourism. (SD1)

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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SENATE COMMITTEE ON WAYS AND MEANS

March 2, 2015

Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair
Conference Room 211
State Capitol
415 South Beretania Street

Aloha Senators-

The Defend O'ahu Coalition is 501(c)(3) non-profit organization comprised of a diverse group of community residents, environmentalists, activists and religious leaders, all working toward one immediate goal: protecting communities on O'ahu from the dangerous effects of large scale development. The Coalition's formation stemmed from an immediate threat posed by the revival of a decades-old expansion plan at Turtle Bay Resort and for the past nine years, Defend O'ahu has been the vanguard of the movement to "Keep the Country COUNTRY!".

We believe that agricultural lands on O'ahu should be preserved for food production and that the beautiful open spaces and shorelines on our island are for all residents and visitors to enjoy. We are committed to ensuring that these precious lands will be a resource for generations to come.

We supported the conservation agreement between the State of Hawai'i and Turtle Bay Resort reached last year and **strongly support SB 284 SD2**, which would extend the deadline to fund the Conservation Easement at Turtle Bay, insert the Department of Land and Natural Resources as lead agency and improve some of the technical clauses regarding the financing for the agreement.

The overwhelming sentiment of Coalition supporters and island residents reflects the intent of the O'ahu General Plan: that Ko'olau Loa, the North Shore and the Wai'anae coast remain predominately agricultural, defined by open spaces and rural character. Further, DOC believes that the State of Hawaii should preserve O'ahu's agricultural breadbasket. This bill is a step in the right direction.

Mahalo for your time-

Tim Vandever
Co-Chair, Defend Oahu Coalition
defendoahucoalition.org
(808) 388-0660

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: SB 284, Proposed SD-2

INTRODUCED BY: Senate Committee on Ways and Means

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 transient accommodations tax revenues shall be allocated to the special land and development fund to be expended pursuant to title 12 in accordance with the long-range strategic plan for tourism developed by the Hawaii tourism authority. Also provides that such revenue shall also be used for the operation and maintenance costs of state parks, beaches, and trails, and costs associated with improving enforcement of ancillary regulations connected with enhancing the visitor experience.

The proposed measure also makes nontax amendments to authorize the department of land and natural resources (DLNR) to issue \$40 million in revenue bonds and to use the proceeds to acquire a conservation easement in Turtle Bay, Oahu. Allocates transient accommodations tax revenues of \$3 million annually to DLNR to pay the debt service on the revenue bonds and ongoing expenses related to the bonds

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 is deposited 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. 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. 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 3/3/15

SB284

Submitted on: 3/3/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Ronnie Perry	Individual	Support	No

Comments:

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SB284

Submitted on: 3/3/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Betty L. Bodlak	Individual	Comments Only	No

Comments: This is a good bill which I support.

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SB284

Submitted on: 3/3/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Michele Nihipali	Individual	Support	No

Comments: Please commit to funding the conservation easement for Turtle Bay.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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SB284

Submitted on: 3/2/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Woods	Individual	Support	No

Comments:

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SB284

Submitted on: 3/2/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kathleen M Pahinui	Individual	Support	No

Comments:

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SB284

Submitted on: 3/2/2015

Testimony for WAM on Mar 4, 2015 10:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kevin Kelly	Individual	Support	No

Comments: SENATE COMMITTEE ON WAYS AND MEANS March 2, 2015 Senator Jill N. Tokuda, Chair Senator Ronald D. Kouchi, Vice Chair Conference Room 211 State Capitol 415 South Beretania Street Aloha Senators- I supported the conservation agreement between the State of Hawai'i and Turtle Bay Resort reached last year and strongly support SB 284 SD2, which would extend the deadline to fund the Conservation Easement at Turtle Bay, insert the Department of Land and Natural Resources as lead agency and improve some of the technical clauses regarding the financing for the agreement. The overwhelming sentiment of North Shore and island residents reflects the intent of the O'ahu General Plan: that Ko'olau Loa, the North Shore and the Wai'anae coast remain predominately agricultural, defined by open spaces and rural character. This bill is a step in the right direction. Thank you for the opportunity to testify on this measure. Kevin Kelly Waialua, HI

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