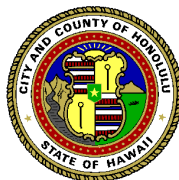


**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 * FAX: (808) 768-4242 * INTERNET: www.honolulu.gov



KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

**CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEES ON
TOURISM AND INTERNATIONAL AFFAIRS AND
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS**

Wednesday, February 10, 2016, 1:25 P.M.

TO: The Honorable J. Kalani English, Chair
and Members of the Senate Committee on Tourism and International Affairs

The Honorable Clarence K. Nishihara, Chair
and Members of the Senate Committee on Public Safety, Intergovernmental, and
Military Affairs

The Office of the Mayor of the City and County of Honolulu recommends that SB 2987 be held until the findings and recommendations of the State-County Functions Working Group (Working Group) on the Transient Accommodations Tax (TAT) have been fully vetted and considered. The Working Group established by the Legislature in Act 174, Session Laws of Hawaii 2014, has worked for over a year on the allocation of the TAT and recently submitted its findings and recommendations to the Legislature. We urge your committees to consider those global recommendations before considering the contents of SB 2987.

If, however, your committees decide to move forward with SB 2987, we would ask that you consider the following comments: (1) Although we appreciate the Senate considering making permanent the annual allocation of \$103,000,000 of TAT to the counties, we ask that the allocation be tied to an index, such as the Consumer Price Index, going forward; (2) We recommend that the next Working Group get started as soon as possible. The bill currently has the group convening on July 1, 2022, which is six years from now. The allocation of the TAT is too important to be put off for so long; (3) We urge that the Senate be as clear as possible as to the directions to the new Working Group. SB 2987 uses similar language to that in Act 174, SLH 2014. Those directions proved misleading to the Working Group established under Act 174, SLH 2014, and clear legislative intent is important; and (4) Finally, we ask that the new Working Group consider the revenues available to the various levels of government, not just the expenditures.

Thank you for the opportunity to provide comments on this important measure.

William P. Kenoi
Mayor



Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawai'i

Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokālole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

February 16, 2016

The Honorable Clarence Nishihara, Chair and Members of the Senate Committee on Public Safety, Intergovernmental, and Military Affairs
Senator Kalani English, Vice Chair and Members of the Senate Committee on Tourism and International Affairs
415 South Beretania Street
Hawai'i State Capitol, room 229
Honolulu, Hawai'i 96813

Aloha, Chair Nishihara, Vice Chair English, and distinguished committee members:

Mahalo for this opportunity to express our concerns on SB 2987 RELATING TO TRANSIENT ACCOMMODATIONS TAX.

The hospitality industry is critically important to our state, especially for the thousands of working families that rely on visitors both directly and indirectly for their livelihoods. We thank the Legislature for recognizing the importance of county facilities and services in supporting and enhancing the visitor experience.

While we all share the goal of a vibrant visitor industry, a TAT cap that does not grow with the industry unfairly burdens the counties. The counties' cost to provide services to our visitors is not stagnant. When a visitor calls for law enforcement help, a county police officer responds. When a visitor gets into trouble in the ocean, county lifeguards or firefighters respond. When a visitor uses sewer and water service, those are county services. Visitors travel on county roads, and use county parks. As the visitor count grows, their demands on county resources also grow. The counties' share of TAT should grow with increased tourism demands not remain stagnant.

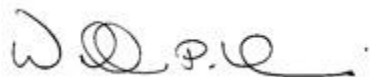
The State-County Functions Working Group, created by the 2014 Legislature, consisted of representatives from the state, counties, and visitor industry. They evaluated the division of responsibilities between the state and counties relating to the provision of public services, and recommended an appropriate allocation of transient accommodations tax revenue that properly reflects that division.

The Honorable Clarence Nishihara, Chair
The Honorable Kalani English, Vice Chair
February 16, 2016
Page 2

We thank the working group for their careful, detailed research and consideration of the issues, as well as their work in compiling their report. We defer to the working group's recommendations and urge the Legislature to support their recommendations.

Mahalo for your consideration.

Aloha,

A handwritten signature in dark ink, appearing to read "W. P. Kenoi", followed by a horizontal line.

William P. Kenoi
MAYOR

Bernard P. Carvalho, Jr.
Mayor



Nadine K. Nakamura
Managing Director

OFFICE OF THE MAYOR

County of Kaua'i, State of Hawai'i
4444 Rice Street, Suite 235, Lihue, Hawai'i 96766
TEL (808) 241-4900 FAX (808) 241-6877

Testimony of
Mayor Bernard P. Carvalho, Jr.
Before the Senate Committee on Tourism and International Affairs
And Committee on Public Safety, Intergovernmental, and Military Affairs
February 16, 2016
1:15 p.m.
Conference Room 229
SB 2987, Relating to the Transient Accommodations Tax

Aloha Chair Nishihara, Vice Chairs English and Espero and Members of the Committee,

On behalf of the County of Kaua'i, allow me to express my concerns on SB 2987, Relating to the Transient Accommodations Tax and support for SB 2028 which reflects the County-State Functions Working Group (WG) recommendations.

As you are aware, through Act 174 (SLH 2014), the WG was convened with representatives appointed from the four counties, the governor, the senate, the house of representatives, and chaired by a retired chief justice.

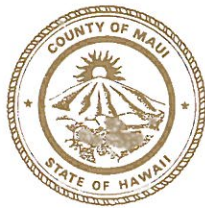
The WG report to the Governor and the Legislature, dated December 2015, prepared by the State Auditor's Office, considered several models for the allocation of TAT revenues on an ongoing basis but came to a unanimous recommendation. Their deliberate and methodical process over the past two years is reflected in SB 2028.

The purpose of the working group was to "evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and 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."

Further, the Hawai'i Council of Mayors unanimously support the recommendation of the working group, as do the County Councils of Kaua'i, O'ahu, and Hawai'i Island.

I humbly urge you to defer SB 2987 and consider supporting SB 2028 which has support from all of the Mayor and the County Councils from Kaua'i, O'ahu and Hawai'i Island.

ALAN M. ARAKAWA
MAYOR



KEITH A. REGAN
MANAGING DIRECTOR

OFFICE OF THE MAYOR

Ke'ena O Ka Meia
COUNTY OF MAUI – Kalana O Maui

TESTIMONY OF ALAN ARAKAWA, MAYOR COUNTY OF MAUI

BEFORE THE SENATE COMMITTEE ON TOURISM & INTERNATIONAL AFFAIRS

and

THE SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND
MILITARY AFFAIRS

Tuesday, February 16, 2016

1:15 p.m.

Conference Room 229

SB 2987 RELATING TO THE TRANSIENT ACCOMODATIONS TAX

Honorable J. Kalani English, Vice Chair
Honorable Members of the Senate Committee on Tourism & International
Affairs

Honorable Clarence K. Nishihara, Chair
Honorable Will Espero, Vice Chair
Honorable Members of the Senate Committee on Public Safety,
Intergovernmental & Military Affairs

As Mayor of Maui County, I wish to voice my opposition tor SB 2987, relating to the Transient Accomodations Tax. Instead, I am united with the Hawaii Council of Mayors, along with the County Councils from Kauai, Hawaii Island, and the City & County of Honolulu in unanimously supporting SB 2028 which we feel reflects the State-County Functions Working Group Report.

The working group was created by the 2014 Legislature, through Act 174, and charged with (1) evaluating the division of duties and responsibilities between the State and counties as they relate to public services, and (2) submitting 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 public services.

The working group recommended that:

- The Tourism Special Fund (TSF) receive \$82 million in FY 2015 and FY 2016, and amounts changing in line with the Consumer Price Index for Urban Consumers (Honolulu) in subsequent years;
- Existing appropriations for the Convention Center, Turtle Bay, and the Special Land Development Fund, totaling \$31 million, continue at the same level in future years; and,
- The remainder of the TAT revenues be allocated to the State and counties, with the State receiving 55% of the remainder, and the counties receiving 45%.

The TAT cap, plus the 2% rate increase of 7.25% to 9.25% has resulted in an increase in the State's net TAT revenue from \$8.3 million in 2007 to nearly \$205 million in 2015.

If you compare the state and counties' TAT share increase since 2007, the state has collected an increase in 2363 % while the counties have collected a mere 2.2%.

Accordingly, I humbly urge this committee to **defer SB 2987**, and support SB 2028 which has the unanimous support of the all four Mayors (HCOM), as well as the County Councils of Hawaii, Kauai, and the City & County of Honolulu.



Testimony
Senate Committee on Tourism and International Affairs and
Senate Committee on Public Safety, Intergovernmental, and Military Affairs
February 16, 2016
Conference Room 229
1:15 a.m.
SB 2987, Relating to the Transient Accommodations Tax

Dear Chair Nishihara, Vice Chairs English and Espero and Members of the Committees

On behalf of the Hawai'i Council of Mayors, allow us to indicate our concerns on SB 2987, Relating to the Transient Accommodations Tax and our unanimously support of SB 2028, the measure that reflects the State-County Functions Working Group (Working Group) Report.

Over the past two years, this working group, established through Act 174 (SLH 2014), considered several models for the allocation of TAT revenues on an ongoing basis. The Working Group recommended that:

- The Tourism Special Fund (TSF) receive \$82 million in fiscal year FY 2015 and FY 2016, and amounts changing in line with the Consumer Price Index for Urban Consumers (Honolulu) in subsequent years;
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- The remainder of the TAT revenues be allocated to the State and counties, with the State receiving 55 percent of the remainder, and the counties receiving 45 percent.

The County Councils from Kauai, Honolulu and the island of Hawaii also support the working groups' recommendation to the Legislature.

Today, State revenues have rebounded, county property tax revenues have grown but property values remain lower than in 2010. The impact of the TAT cap, plus the 2 percent rate increase of 7.25 percent to 9.25 percent has resulted in an increase in the State net TAT revenue from \$8.3 million in 2007 to nearly \$205 million in 2015. Thus, the counties are losing \$85 million annually.



Mayor Billy Kenoi
County of Hawaii
25 Aupuni Street
Hilo, Hawai'i 96720



Mayor Kirk Caldwell
City and County of Honolulu
530 South King Street, Rm. 306
Honolulu, Hawai'i 96813



Mayor Bernard Carvalho, Jr.
County of Kauai
4444 Rice Street
Lihue, Hawai'i 96766



Mayor Alan Arakawa
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

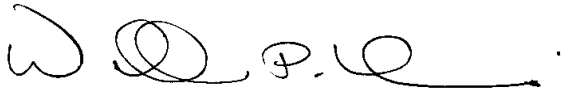
If you compare the TAT share increase since 2007 between the State and the counties, the State has collected an increase of 2363 percent while the counties have collected a mere 2.2 percent.

The legislature recognizes that much of the cost associated with tourism is carried by the counties, including the ever-increasing costs of providing county services to visitors (i.e., maintenance of roads, parks, police and fire protection and other basic services). While the counties don't receive a fair share of the TAT, costs related to public safety services have gone up.

Another statistic that was published on February 1, 2016, by the Hawaii Tourism Authority states that Hawaii's tourism industry set new records with the totals of arrivals and expenditures generated in the State for 2015. Preliminary reports state a 4.1 percent increase over 2014, producing a record total of \$15.2 billion in visitor expenditures, an increase of 2.3 percent year-over-year.

We humbly urge your Committee to defer SB 2987 and consider supporting SB 2028 which has unanimous support from all four Mayors and the County Council's from Kaua'i, O'ahu and Hawai'i Island.

Thank you for your consideration.



William Kenoi, Mayor
County of Hawai'i



Kirk Caldwell, Mayor
City and County of Honolulu



Bernard Carvalho, Jr., Mayor
County of Kaua'i



Alan Arakawa, Mayor
County of Maui



Testimony
Senate Committee on Tourism and International Affairs and
Senate Committee on Public Safety, Intergovernmental, and Military Affairs
February 16, 2016
Conference Room 229
1:15 a.m.
SB 2987, Relating to the Transient Accommodations Tax

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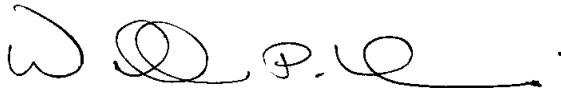
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Thank you for your consideration.



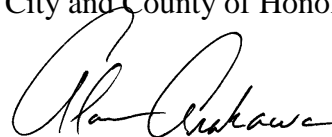
William Kenoi, Mayor
County of Hawai'i



Kirk Caldwell, Mayor
City and County of Honolulu



Bernard Carvalho, Jr., Mayor
County of Kaua'i



Alan Arakawa, Mayor
County of Maui

From: mailinglist@capitol.hawaii.gov
To: [TSI Testimony](#)
Cc: hawaiiifishingfanatic@gmail.com
Subject: *Submitted testimony for SB2987 on Feb 16, 2016 13:15PM*
Date: Monday, February 15, 2016 10:47:39 PM

SB2987

Submitted on: 2/15/2016

Testimony for TSI/PSM on Feb 16, 2016 13:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Don Aweau	Individual	Support	No

Comments:

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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From: mailinglist@capitol.hawaii.gov
To: [TSI Testimony](#)
Cc: riki.hokama@mauicounty.us
Subject: *Submitted testimony for SB2987 on Feb 16, 2016 13:15PM*
Date: Tuesday, February 16, 2016 9:14:12 AM

SB2987

Submitted on: 2/16/2016

Testimony for TSI/PSM on Feb 16, 2016 13:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Riki Hokama	Individual	Oppose	No

Comments:

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