

JAN 20 2017

---

---

# A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

PART I

SECTION 1. (a) The legislature finds that:

(1) Pursuant to Act 174, Session Laws of Hawaii 2014, the state-county functions working group was convened to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services and to recommend an 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;

(2) Though the transient accommodations tax has evolved to meet the needs and purposes of the times, its structure and frequent amendment, combined with the cyclical nature of the visitor industry and the tax revenues it generates, has resulted in ongoing



1 discussions among the various stakeholders, including  
2 the State, the counties, the visitor industry, the  
3 Hawaii tourism authority, and other recipients or  
4 potential recipients of transient accommodations tax  
5 revenues;

6 (3) The state-county functions working group, composed of  
7 state, county, and visitor industry representatives  
8 and other knowledgeable and concerned citizens, and  
9 which has been aided by experts, considered the  
10 legislature's assignment for over a year and delivered  
11 to the legislature its final unanimous report,  
12 inclusive of analysis, findings, conclusions, and  
13 recommendations;

14 (4) In particular, the state-county functions working  
15 group found and concluded that:

16 (A) The application of the transient accommodations  
17 tax and the allocation of its revenues should be  
18 simplified and stabilized so as to be clear,  
19 consistent, and predictable over time, in view of  
20 the need to invest in tourism as a premier  
21 industry;



# S.B. NO. 457

- 1           (B) The tourism special fund should be provided a  
2           priority distribution of the transient  
3           accommodations tax revenues at an assured minimum  
4           level, adjusted for inflation, and regardless of  
5           overall transient accommodations tax collections;
- 6           (C) After the priority distribution of the transient  
7           accommodations tax revenues to the tourism  
8           special fund, existing allocations to the Turtle  
9           Bay conservation easement special fund,  
10          convention center enterprise special fund, and  
11          special land and development fund should be  
12          maintained at their current levels, with any  
13          additional state funding of these efforts made  
14          out of state general funds by separate  
15          appropriation;
- 16          (D) Based on a review of state and county functions,  
17          including tourism expenditures, an appropriate  
18          allocation of the remaining transient  
19          accommodations tax revenues is fifty-five per  
20          cent to the state general fund and forty-five per  
21          cent to the counties; and



# S.B. NO. 457

- 1           (E) There should be no fixed dollar amounts, caps,  
2                           floors, or similar restrictions on allocations to  
3                           the State and counties of the remaining revenues;  
4                           instead, both the State and the county  
5                           allocations should increase or decrease  
6                           proportionately with increasing or decreasing  
7                           transient accommodations tax revenues; and
- 8           (5) The state-county functions working group  
9                           recommendations reflect a fair, balanced, and  
10                          reasonable compromise of competing needs for scarce  
11                          resources and provide a sound policy base for the  
12                          further administration of the transient accommodations  
13                          tax and its revenues.
- 14           (b) The purpose of this Act is to:
- 15           (1) Provide a fair, consistent, and predictable priority  
16                          allocation of transient accommodations tax revenues,  
17                          of an assured minimum amount, to the tourism special  
18                          fund;
- 19           (2) Maintain allocation of transient accommodations tax  
20                          revenues to existing obligations at present levels;





# S.B. NO. 457

1 ~~resources important to the State, until the bonds are~~  
2 ~~fully amortized,]~~

3 (1) \$82,000,000 shall be allocated to the tourism special  
4 fund established under section 201B-11; provided that,  
5 beginning July 1, 2017, and in each fiscal year  
6 thereafter, the dollar amount of revenues allocated to  
7 the tourism special fund under this paragraph shall be  
8 adjusted by an amount equal to the dollar amount  
9 multiplied by the percentage, if any, by which the  
10 Honolulu region consumer price index for all urban  
11 consumers (CPI-U), or a successor index, as calculated  
12 by the United States Department of Labor, for the  
13 preceding calendar year exceeds the consumer price  
14 index for the calendar year 2016; and provided further  
15 that:

16 (A) Of the revenues allocated to the tourism special  
17 fund:

18 (i) \$1,000,000 shall be allocated for the  
19 operation of a Hawaiian center and the  
20 museum of Hawaiian music and dance at the  
21 Hawaii convention center; and



# S.B. NO. 457

- 1                   (ii) 0.5 per cent shall be transferred to a sub-  
2                               account in the tourism special fund to  
3                               provide funding for a safety and security  
4                               budget, in accordance with the Hawaii  
5                               tourism strategic plan; and
- 6           (B) Of the revenues remaining in the tourism special  
7                       fund after revenues have been deposited as  
8                       provided in this paragraph and except for any sum  
9                       authorized by the legislature for expenditure  
10                      from revenues subject to this paragraph,  
11                      beginning July 1, 2007, funds shall be deposited  
12                      into the tourism emergency special fund,  
13                      established in section 201B-10, in a manner  
14                      sufficient to maintain a fund balance of  
15                      \$5,000,000 in the tourism emergency special fund;
- 16           (2) \$26,500,000 shall be allocated to the convention  
17                       center enterprise special fund established under  
18                       section 201B-8;
- 19           ~~[(3) \$82,000,000 shall be allocated to the tourism special~~  
20                       ~~fund established under section 201B-11; provided that:~~



# S.B. NO. 457

- 1           ~~(A) Beginning on July 1, 2012, and ending on June 30,~~
- 2           ~~2015, \$2,000,000 shall be expended from the~~
- 3           ~~tourism special fund for development and~~
- 4           ~~implementation of initiatives to take advantage~~
- 5           ~~of expanded visa programs and increased travel~~
- 6           ~~opportunities for international visitors to~~
- 7           ~~Hawaii;~~
  
- 8           ~~(B) Of the \$82,000,000 allocated:~~
- 9           ~~(i) \$1,000,000 shall be allocated for the~~
- 10           ~~operation of a Hawaiian center and the~~
- 11           ~~museum of Hawaiian music and dance at the~~
- 12           ~~Hawaii convention center; and~~
- 13           ~~(ii) 0.5 per cent of the \$82,000,000 shall be~~
- 14           ~~transferred to a sub-account in the tourism~~
- 15           ~~special fund to provide funding for a safety~~
- 16           ~~and security budget, in accordance with the~~
- 17           ~~Hawaii tourism strategic plan 2005-2015; and~~
  
- 18           ~~(C) Of the revenues remaining in the tourism special~~
- 19           ~~fund after revenues have been deposited as~~
- 20           ~~provided in this paragraph and except for any sum~~
- 21           ~~authorized by the legislature for expenditure~~



# S.B. NO. 457

1                   ~~from revenues subject to this paragraph,~~  
 2                   ~~beginning July 1, 2007, funds shall be deposited~~  
 3                   ~~into the tourism emergency special fund,~~  
 4                   ~~established in section 201B-10, in a manner~~  
 5                   ~~sufficient to maintain a fund balance of~~  
 6                   ~~\$5,000,000 in the tourism emergency special~~  
 7                   ~~fund,]~~

8           (3)   \$3,000,000 shall be allocated to the special land and  
 9                   development fund established under section 171-19;  
 10                   provided that the allocation shall be expended in  
 11                   accordance with the Hawaii tourism authority strategic  
 12                   plan for:

13                   (A) The protection, preservation, maintenance, and  
 14                   enhancement of natural resources, including  
 15                   beaches, important to the visitor industry;

16                   (B) Planning, construction, and repair of facilities;  
 17                   and

18                   (C) Operation and maintenance costs of public lands,  
 19                   including beaches, connected with enhancing the  
 20                   visitor experience;



## S.B. NO. 457

1        (4) \$1,500,000 shall be allocated to the Turtle Bay  
2        conservation easement special fund beginning July 1,  
3        2017, for the reimbursement to the state general fund  
4        of debt service on reimbursable general obligation  
5        bonds, including ongoing expenses related to the  
6        issuance of the bonds, the proceeds of which were used  
7        to acquire the conservation easement and other real  
8        property interests in Turtle Bay, Oahu, for the  
9        protection, preservation, and enhancement of natural  
10       resources important to the State, until the bonds are  
11       fully amortized; and

12       [~~4~~] (5) [~~\$103,000,000 for fiscal year 2014-2015,~~  
13       ~~\$103,000,000 for fiscal year 2015-2016, \$103,000,000~~  
14       ~~for fiscal year 2016-2017, and \$93,000,000 for each~~  
15       ~~fiscal year thereafter]~~ Of the remaining revenues  
16       collected under this chapter, forty-five per cent  
17       shall be allocated to the counties and shall be  
18       distributed as follows: Kauai county shall receive  
19       14.5 per cent, Hawaii county shall receive 18.6 per  
20       cent, city and county of Honolulu shall receive 44.1  
21       per cent, and Maui county shall receive 22.8 per cent;



## S.B. NO. 457

1 provided that commencing with fiscal year 2018-2019, a  
2 sum that represents the difference between a county  
3 public employer's annual required contribution for the  
4 separate trust fund established under section 87A-42  
5 and the amount of the county public employer's  
6 contributions into that trust fund shall be retained  
7 by the state director of finance and deposited to the  
8 credit of the county public employer's annual required  
9 contribution into that trust fund in each fiscal year,  
10 as provided in section 87A-42, if the respective  
11 county fails to remit the total amount of the county's  
12 required annual contributions, as required under  
13 section 87A-43 [~~and~~

14 ~~(5) \$3,000,000 shall be allocated to the special land and~~  
15 ~~development fund established under section 171-19;~~  
16 ~~provided that the allocation shall be expended in~~  
17 ~~accordance with the Hawaii tourism authority strategic~~  
18 ~~plan for:~~

19 ~~(A) The protection, preservation, maintenance, and~~  
20 ~~enhancement of natural resources, including~~  
21 ~~beaches, important to the visitor industry;~~





1 all transient accommodations tax revenues collected by the  
2 department of taxation under section [~~237D-6.5(b)(4)~~] 237D-  
3 6.5(b)(5). The director of finance shall deduct the amount  
4 necessary to meet the county public employer's annual required  
5 contribution from the revenues derived under section [~~237D-~~  
6 ~~6.5(b)(4)~~] 237D-6.5(b)(5) and transfer the amount to the board  
7 for deposit into the appropriate account of the separate trust  
8 fund."

9 SECTION 4. Section 171-19, Hawaii Revised Statutes, is  
10 amended by amending subsection (a) to read as follows:

11 "(a) There is created in the department a special fund to  
12 be designated as the "special land and development fund".  
13 Subject to the Hawaiian Homes Commission Act of 1920, as  
14 amended, and section 5(f) of the Admission Act of 1959, all  
15 proceeds of sale of public lands, including interest on deferred  
16 payments; all moneys collected under section 171-58 for mineral  
17 and water rights; all rents from leases, licenses, and permits  
18 derived from public lands; all moneys collected from lessees of  
19 public lands within industrial parks; all fees, fines, and other  
20 administrative charges collected under this chapter and chapter  
21 183C; a portion of the highway fuel tax collected under chapter



1 243; all moneys collected by the department for the commercial  
2 use of public trails and trail accesses under the jurisdiction  
3 of the department; transient accommodations tax revenues  
4 collected pursuant to section [~~237D-6.5(b)(5);~~] 237D-6.5(b)(3);  
5 and private contributions for the management, maintenance, and  
6 development of trails and accesses shall be set apart in the  
7 fund and shall be used only as authorized by the legislature for  
8 the following purposes:

- 9 (1) To reimburse the general fund of the State for  
10 advances made that are required to be reimbursed from  
11 the proceeds derived from sales, leases, licenses, or  
12 permits of public lands;
- 13 (2) For the planning, development, management, operations,  
14 or maintenance of all lands and improvements under the  
15 control and management of the board pursuant to title  
16 12, including but not limited to permanent or  
17 temporary staff positions who may be appointed without  
18 regard to chapter 76; provided that transient  
19 accommodations tax revenues allocated to the fund  
20 shall be expended as provided in section [~~237D-~~  
21 ~~6.5(b)(5);~~] 237D-6.5(b)(3);



- 1           (3) To repurchase any land, including improvements, in the  
2           exercise by the board of any right of repurchase  
3           specifically reserved in any patent, deed, lease, or  
4           other documents or as provided by law;
- 5           (4) For the payment of all appraisal fees; provided that  
6           all fees reimbursed to the board shall be deposited in  
7           the fund;
- 8           (5) For the payment of publication notices as required  
9           under this chapter; provided that all or a portion of  
10          the expenditures may be charged to the purchaser or  
11          lessee of public lands or any interest therein under  
12          rules adopted by the board;
- 13          (6) For the management, maintenance, and development of  
14          trails and trail accesses under the jurisdiction of  
15          the department;
- 16          (7) For the payment to private land developers who have  
17          contracted with the board for development of public  
18          lands under section 171-60;
- 19          (8) For the payment of debt service on revenue bonds  
20          issued by the department, and the establishment of



# S.B. NO. 457

1 debt service and other reserves deemed necessary by  
2 the board;

3 (9) To reimburse the general fund for debt service on  
4 general obligation bonds issued to finance  
5 departmental projects, where the bonds are designated  
6 to be reimbursed from the special land and development  
7 fund;

8 (10) For the protection, planning, management, and  
9 regulation of water resources under chapter 174C; and

10 (11) For other purposes of this chapter."

11 PART IV

12 SECTION 5. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14 SECTION 6. This Act shall take effect on July 1, 2017.

15

INTRODUCED BY:                     MUN. M.                      
By Request



# S.B. NO. 457

**Report Title:**

Hawaii State Association of Counties Package; Transient Accommodations Tax; Allocation; Tourism Special Fund; Counties

**Description:**

Adjusts allocation of transient accommodations tax revenues to the tourism special fund for inflation. Adjusts allocation to the counties to equal 45% of the amount of revenues remaining after all other allocations are made.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

