

JAN 23 2025

A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 SECTION 1. The legislature finds that Hawaii is
2 experiencing a climate emergency. The effects of climate
3 change, such as rising temperatures, prolonged droughts, and
4 increasingly destructive and deadly weather events, are felt
5 across the island chain. These impacts threaten not only our
6 vibrant ecosystems but, as actors within these ecosystems, the
7 people of Hawaii as well. To ensure the health, safety, and
8 wellbeing of Hawaii's lands, waters, and people, successful
9 mitigation of and adaptation to climate change is imperative.

10 The legislature further finds that given the scale and
11 impact of the climate emergency, the State must invest in bold
12 actions to prepare for, mitigate, and adapt to climate change,
13 including resiliency to intensifying natural disasters. A
14 coordinated approach is necessary, and the department of
15 defense, charged with protecting the safety and welfare of the
16 people of Hawaii and the State's lead for hazard mitigation and
17 disaster readiness, is prepared to assume this responsibility,
18 in coordination with the departments of business, economic

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1 development, and tourism; land and natural resources; and
2 transportation, as well as the community, to provide for the
3 safety, security, and wellbeing of Hawaii's places and people.

4 The legislature further finds that economic development, in
5 particular, must consider climate change. Tourism,
6 infrastructure, and community development are all predicated
7 upon Hawaii's land and natural resources. Resiliency to and
8 mitigation of climate change must remain at the forefront of any
9 economic development or revitalization project.

10 The legislature further finds that Hawaii needs to invest
11 in efforts to reduce climate change impacts now to limit current
12 and future costs of climate change. The anticipated extent of
13 the impact of climate change is such that state government needs
14 to take comprehensive and coordinated mitigation efforts as soon
15 as possible.

16 The purposes of this Act are to:

- 17 (1) Address the impacts of climate change on the State and
18 mitigate further impacts by authorizing the funding of
19 resiliency projects and establishing the climate
20 mitigation and resiliency special fund;
- 21 (2) Support resilient economic development and
22 revitalization throughout the state by establishing

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- 1 (2) The director of business, economic development, and
2 tourism;
- 3 (3) The director of finance;
- 4 (4) The chairperson of the board of land and natural
5 resources;
- 6 (5) The director of transportation;
- 7 (6) An at-large member nominated by the president of the
8 senate; and
- 9 (7) An at-large member nominated by the speaker of the house
10 or representatives;

11 provided that the two at-large members shall each be invited to
12 serve and appointed by the governor, without the advice and
13 consent of the senate, from a list of three nominees submitted
14 for each position by the nominating authority specified in this
15 section.

16 § -3 **Climate mitigation and resiliency special fund;**
17 **established.** (a) There is established in the state treasury
18 the climate mitigation and resiliency special fund, to be
19 administered by the department of defense, into which shall be
20 deposited:

- 21 (1) Appropriations made by the legislature to the fund;

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- 1 (2) Fees collected under this chapter or any rule adopted
2 thereunder;
- 3 (3) Grants provided by governmental agencies or any other
4 source;
- 5 (4) Donations made by private individuals or organizations
6 for deposit into the fund;
- 7 (5) Interest earned from moneys in the emergency and
8 budget reserve fund established in section 328L-3;
- 9 (6) A portion of the revenues from the transient
10 accommodations tax established by chapter 237D, as
11 provided by section 237D-6.5; and
- 12 (7) Interest earned from moneys in the fund.
- 13 (b) Moneys in the climate mitigation and resiliency
14 special fund shall be used to advance projects addressing
15 climate change impacts, including projects that mitigate, adapt
16 to, or increase resiliency against climate change. Moneys may
17 also be used for consultant, personnel, and administrative costs
18 required to develop and implement the aforementioned projects.
- 19 § -4 **Rules.** The adjutant general shall adopt rules
20 pursuant to chapter 91 necessary for the purposes of this
21 chapter."

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1 SECTION 3. Chapter 201, Hawaii Revised Statutes, is
2 amended by adding to part I a new section to be appropriately
3 designated and to read as follows:

4 "§201- Economic development and revitalization special

5 fund. (a) There is established in the state treasury the
6 economic development and revitalization special fund, to be
7 administered by the department, into which shall be deposited:

8 (1) Appropriations made by the legislature to the fund;

9 (2) Fees collected under this chapter or any rule adopted
10 thereunder;

11 (3) Grants provided by governmental agencies or any other
12 source;

13 (4) Donations made by private individuals or organizations
14 for deposit into the fund;

15 (5) A portion of the revenues from the transient
16 accommodations tax, as provided by section 237D-6.5;

17 and

18 (6) Interest earned from moneys in the fund.

19 (b) Moneys in the economic development and revitalization

20 special fund shall be used for projects advancing:

21 (1) Economic development or revitalization;

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1 (2) Infrastructure within tourism districts or resort
2 areas;

3 (3) Climate change mitigation, adaptation, or resiliency;
4 and

5 (4) Tourism marketing.

6 (c) The department shall establish procedures for
7 receiving and evaluating project proposals for economic
8 development and revitalization special fund allocation; provided
9 that

10 (1) The Hawaii tourism authority, office of planning and
11 sustainable development, and department of land and
12 natural resources shall each review any project
13 proposal submitted for funding allocation and submit a
14 recommendation for funding allocation to the
15 department;

16 (2) The department shall review any project proposal
17 submitted for funding allocation as well as the
18 corresponding recommendations for funding allocation
19 submitted to the department pursuant to paragraph (1)
20 and make a recommendation for funding allocation to
21 the governor; and

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1 (3) All funding allocations are subject to the governor's
2 final approval.

3 (d) The department shall submit an annual report to the
4 legislature no later than twenty days prior to the convening of
5 each regular session on the sources of moneys deposited into the
6 economic development and revitalization special fund and
7 expenditures of moneys in the special fund."

8 SECTION 4. Section 237D-2, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§237D-2 Imposition and rates.** (a) There is levied and
11 shall be assessed and collected each month a tax of:

12 (1) Five per cent for the period beginning on January 1,
13 1987, to June 30, 1994;

14 (2) Six per cent for the period beginning on July 1, 1994,
15 to December 31, 1998;

16 (3) 7.25 per cent for the period beginning on January 1,
17 1999, to June 30, 2009;

18 (4) 8.25 per cent for the period beginning on July 1,
19 2009, to June 30, 2010; [~~and~~]

20 (5) 9.25 per cent for the period beginning on July 1,
21 2010, [~~and thereafter,~~] to December 31, 2025; and

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1 (6) 11 per cent for the period beginning on January 1,
2 2026, and thereafter;

3 on the gross rental or gross rental proceeds derived from
4 furnishing transient accommodations.

5 (b) Every transient accommodations broker, travel agency,
6 and tour packager who arranges transient accommodations at
7 noncommissioned negotiated contract rates and every operator or
8 other taxpayer who receives gross rental proceeds shall pay to
9 the State the tax imposed by subsection (a), as provided in this
10 chapter.

11 (c) There is levied and shall be assessed and collected
12 each month, on the occupant of a resort time share vacation
13 unit, a transient accommodations tax of:

14 (1) 7.25 per cent on the fair market rental value until
15 December 31, 2015;

16 (2) 8.25 per cent on the fair market rental value for the
17 period beginning on January 1, 2016, to December 31,
18 2016; and

19 (3) 9.25 per cent on the fair market rental value for the
20 period beginning on January 1, 2017, [~~and thereafter.~~]
21 to December 31, 2025; and

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1 (4) 11 per cent on the fair market rental value for the
2 period beginning on January 1, 2026, and thereafter.

3 (d) Every plan manager shall be liable for and pay to the
4 State the transient accommodations tax imposed by subsection (c)
5 as provided in this chapter. Every resort time share vacation
6 plan shall be represented by a plan manager who shall be subject
7 to this chapter.

8 (e) Notwithstanding the tax rates established in
9 subsections (a)(5) and (6) and (c)(3) ~~[7]~~ and (4), the tax rates
10 levied, assessed, and collected pursuant to subsections (a) and
11 (c) shall be 10.25 per cent for the period beginning on January
12 1, 2018, to December 31, 2025, and 12 per cent for the period
13 beginning on January 1, 2026, to December 31, 2030; provided
14 that:

15 (1) The tax revenues levied, assessed, and collected
16 pursuant to this subsection that are in excess of the
17 revenues realized from the levy, assessment, and
18 collection of tax at the ~~[9.25 per cent rate]~~ rates
19 established in subsections (a)(5) and (6) and (c)(3)
20 and (4) shall be deposited quarterly into the mass
21 transit special fund established under section 248-
22 2.7; and

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1 (2) If a court of competent jurisdiction determines that
2 the amount of county surcharge on state tax revenues
3 deducted and withheld by the State, pursuant to
4 section 248-2.6, violates statutory or constitutional
5 law and, as a result, awards moneys to a county with a
6 population greater than five hundred thousand, then an
7 amount equal to the monetary award shall be deducted
8 and withheld from the tax revenues deposited under
9 paragraph (1) into the mass transit special fund, and
10 those funds shall be a general fund realization of the
11 State.

12 The remaining tax revenues levied, assessed, and collected
13 at the [~~9.25 per cent tax rate pursuant to~~] rates established in
14 subsections (a) and (c) shall be deposited into the general fund
15 in accordance with section 237D-6.5(b)."

16 SECTION 5. Section 237D-6.5, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:

18 "(b) Except for the revenues collected pursuant to section
19 237D-2(e), revenues collected under this chapter shall be
20 distributed in the following priority, with the excess revenues
21 to be deposited into the general fund:

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- 1 (1) \$1,500,000 shall be allocated to the Turtle Bay
2 conservation easement special fund beginning July 1,
3 2015, 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;
- 12 (2) \$11,000,000 shall be allocated to the convention
13 center enterprise special fund established under
14 section 201B-8;
- 15 (3) An allocation shall be deposited into the tourism
16 emergency special fund, established in section 201B-
17 10, in a manner sufficient to maintain a fund balance
18 of \$5,000,000 in the tourism emergency special fund;
19 [and]
- 20 (4) \$3,000,000 shall be allocated to the special land and
21 development fund established under section 171-19;
22 provided that the allocation shall be expended in

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1 accordance with the Hawaii tourism authority strategic
2 plan for:

3 (A) The protection, preservation, maintenance, and
4 enhancement of natural resources, including
5 beaches, important to the visitor industry;

6 (B) Planning, construction, and repair of facilities;
7 and

8 (C) Operation and maintenance costs of public lands,
9 including beaches, connected with enhancing the
10 visitor experience[-];

11 (5) 7.3 per cent of the total revenue collected pursuant
12 to section 237D-2 shall be allocated to the climate
13 mitigation and resiliency special fund, established
14 under section -1;

15 (6) 7.3 per cent of the total revenue collected pursuant
16 to section 237D-2 shall be allocated to the economic
17 development and revitalization special fund,
18 established under section 201- .

19 All transient accommodations taxes shall be paid into the state
20 treasury each month within ten days after collection and shall
21 be kept by the state director of finance in special accounts for
22 distribution as provided in this subsection."

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1 SECTION 6. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$50,000,000 or so
3 much thereof as may be necessary for fiscal year 2025-2026 to be
4 deposited into the climate mitigation and resiliency special
5 fund.

6 SECTION 7. There is appropriated out of the climate
7 mitigation and resiliency special fund the sum of \$50,000,000 or
8 so much thereof as may be necessary for fiscal year 2025-2026 to
9 advance projects addressing climate change impacts.

10 The sum appropriated shall be expended by the department of
11 defense for the purposes of this Act.

12 SECTION 8. There is appropriated out of the climate
13 mitigation and resiliency special fund \$90,000,000 or so much
14 thereof as may be necessary for fiscal year 2025-2026 and the
15 same sum or so much thereof as may be necessary for fiscal year
16 2026-2027 to advance projects addressing climate change impacts.

17 The sum appropriated shall be expended by the department of
18 defense for the purposes of this Act.

19 SECTION 9. There is appropriated out of the economic
20 development and revitalization special fund \$90,000,000 or so
21 much thereof as may be necessary for fiscal year 2025-2026 and
22 the same sum or so much thereof as may be necessary for fiscal

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1 year 2026-2027 to advance resilient economic development and
2 revitalization projects.

3 The sum appropriated shall be expended by the department of
4 business, economic development, and tourism for the purposes of
5 this Act.

6 SECTION 10. The appropriations made by this Act shall not
7 lapse at the end of the fiscal year for which the appropriation
8 is made; provided that all moneys from the appropriation
9 unencumbered as of June 30, 2028, shall lapse into the fund from
10 which appropriated as of that date. Any unissued balance of any
11 authorization made by this Act as of the close of business on
12 June 30, 2028, shall lapse.

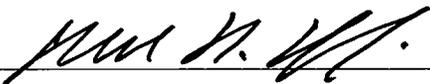
13 SECTION 11. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 12. This Act, upon its approval, shall take effect
16 on July 1, 2025.

17

18

INTRODUCED BY:



19

BY REQUEST

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Report Title:

Climate Mitigation and Resiliency Special Fund; Economic Development and Revitalization Special Fund; Transient Accommodations Tax; Department of Defense; Department of Business, Economic Development, and Tourism; Appropriation

Description:

Establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. Beginning January 1, 2026, increases the Transient Accommodations Tax. Allocates funds generated by the increase to the newly established funds.

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

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JUSTIFICATION SHEET

DEPARTMENT: Office of the Governor

TITLE: A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT.

PURPOSE: To authorize the funding of resiliency projects, establish the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, and to increase the Transient Accommodations Tax (TAT) and allocate a portion of the tax to the two newly established special funds. In addition, this bill appropriates general funds to the Climate Mitigation and Resiliency Special Fund as well as moneys out of the Climate Mitigation and Resiliency Special Fund to advance projects addressing climate change impacts. The bill also appropriates moneys out of the Economic Development and Revitalization Special Fund to advance resilient economic development and revitalization projects.

MEANS: Add a new chapter to the Hawaii Revised Statutes (HRS), add a new section to part I of chapter 201, HRS, amend sections 237D-2 and 237D-6.5(b), HRS, appropriate general funds to the Climate Mitigation and Resiliency Special Fund, and appropriate moneys out of the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund.

JUSTIFICATION: Against the backdrop of intensifying environmental challenges, the establishment of a reliable, recurring funding base for climate mitigation and resiliency initiatives is a critical focus for the State. Protecting Hawaii's natural environment and its communities requires a proactive and adaptable financial strategy to ensure sustained, long-term support. While funding alone cannot resolve these challenges, it is foundational for meaningful action, and investing now will

help lower the overall costs and risks of future climate disasters.

A coordinated approach to climate mitigation and resiliency is necessary, and the Department of Defense, charged with protecting the safety and welfare of the people of Hawaii and the State's lead for hazard mitigation and disaster readiness, is prepared to assume this responsibility, in coordination with other departments as well as the community, to provide for the safety, security, and wellbeing of Hawaii's places and people.

Economic development initiatives are likewise in need of a recurring funding source. Tourism, infrastructure, and community development are all predicated upon Hawaii's land and natural resources and must take climate change into account. A sustained funding source is necessary to fund resilient economic development projects, including infrastructure improvements.

The TAT is currently at a statewide minimum of 10.25 percent, and for fiscal year 2023-2024, the TAT is expected to generate an estimated \$1.054 billion according to the Hawaii Department of Budget and Finance. By increasing the TAT rate by 1.75 percent to a total of 12.00 percent, the State could raise annual TAT revenue to an estimated \$1.234 billion, i.e., an incremental \$180 million per year, which could be allocated toward climate change and economic development initiatives.

Impact on the public: By targeting revenue from the tourism sector, this approach provides a substantial and likely consistent funding stream while minimizing any direct financial hit to the most vulnerable populations in the state. Funds raised from a TAT increase may also be securitized.

Impact on the department and other agencies:

The Department of Defense will have a dedicated funding source for statewide climate mitigation and resiliency projects. The Department of Business, Economic Development, and Tourism will have additional funds allocated toward infrastructure improvements for tourism areas and tourism marketing.

GENERAL FUND: \$50,000,000 for fiscal year 2025-2026 from the General Fund.

\$180,000,000 for fiscal years 2025-2026 and 2026-2027 from additional TAT revenues.

OTHER FUNDS: \$230,000,000 for fiscal year 2025-2026 and \$180,000,000 for fiscal year 2026-2027 out of the special funds.

PPBS PROGRAM
DESIGNATION:

BED142; DEF110.

OTHER AFFECTED
AGENCIES:

Department of Business, Economic Development, and Tourism; Department of Defense; Department of Budget and Finance; and Department of Taxation.

EFFECTIVE DATE: July 1, 2025.