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February 1, 2016

TO: The Honorable Tom Brower, Chair
House Committee on Tourism

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 3, 2016; TESTIMONY OFFERING
COMMENTS ON HB 1554, RELATING TO TRANSIENT
ACCOMMODATIONS TAX**

Thank you for the opportunity to **offer comments** on this important bill. The purpose of this measure is to allocate to the counties 45 percent of the remaining transient accommodations tax revenues after adjustments to the Tourism Special Fund, as recommended by the State-County Functions Working Group.

The Maui County Council has not had the opportunity to take a formal position on this matter. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

In addition to serving as chair of the Maui County Council, my testimony is also informed by my visitor industry experience as general manager of the Ka'anapali Beach Hotel for 30 years, and through my service as a state legislator from 1993 to 1998.

I offer the following comments:

1. I support the Working Group's recommendation to increase the allocation of TAT revenue to the counties. But, **an equal 50-50 split of total TAT collections** between the State and the counties would be more consistent with the TAT's history and purpose. As partners in Hawaii's governance, it is critical that the State provide a greater share of TAT to the counties, which provides essential services to residents and visitors.
2. Act 185 (1990) allocated 95 percent of the total TAT to the counties under a statutory formula. Subsequent artificial caps and substantial diminished reallocations of the TAT revenue to the counties were established to help balance the State budget from 2007 to 2015 because of the economic downturn – but this justification is no longer valid.

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3. During the same period, the State's TAT revenue increased by \$196.6 million (or 2,363 percent), while the counties' TAT revenue increased by a mere \$2.2 million (or 2.2 percent). The reasonable action now is to return a fair share of the TAT to the counties, which bear significant responsibility to provide services and infrastructure to support increased visitor industry demands.
4. The collective cost of county services for police, fire, and parks has increased by \$170.3 million since 2007 (or 30 percent), yet the counties have only been provided a 2.2 percent increase in revenue. By unfairly denying TAT revenue to the counties, the State has been effectively requiring residents to pay for the visitors' share of expenses.

For the foregoing reasons, **I support an equal 50-50 split of total TAT collections** between the State and counties.

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