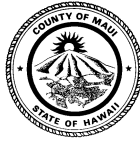


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March 31, 2016

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF APRIL 1, 2016; TESTIMONY IN OPPOSITION TO SB 2987
SD 2, HD 1, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **opposition** to this measure. The purpose of this bill is to continue the cap on the annual allocation of Transient Accommodations Tax revenue to the counties.

The Maui County Council on February 26, 2016, adopted Resolution 16-15, entitled "URGING THE LEGISLATURE TO PROVIDE THE COUNTIES WITH THE SAME SHARE OF TRANSIENT ACCOMMODATIONS TAX REVENUE AS THE STATE." Therefore, I am providing this testimony on behalf of the Maui County Council.

I am thankful the legislature is considering this measure, so the counties' share of the TAT cap does not revert back to \$93 million.

Fairness dictates however, the counties deserve dramatically more than the \$103 million allocated over the past two fiscal years. An amendment to increase the counties share and remove an arbitrary cap is warranted for the following reasons:

1. A statutorily capped amount of money contradicts the conceptual bases for the TAT, which was established to help the counties fund **visitor-related expenses** based on a **percentage of earned revenue**.
2. Pursuant to Act 185 (1990), 95 percent of the TAT revenue was returned to the counties. The dramatic reallocation of the TAT in 2009 was to help balance the State budget due to the economic downturn. The State increased the TAT and arbitrarily capped the counties' share to help balance its budget, but offered no significant assistance as the counties experienced greater economic hardship in the ensuing years.

3. From Fiscal Year 2007 to FY 2015, the State’s annual share of TAT revenue has increased by \$196.6 million, while counties only received an additional \$2.2 million.

State	Counties
2363%	2.2%
\$ 196,647,193	\$2,230,802

4. During the same period, counties have incurred \$170 million in cost increases in fire, police, and park services. County expenditures for tourism-related services continue to rise at a pace far exceeding the distribution of TAT revenue. This places the burden of paying for visitors services on our local residents. Sound fiscal practices favor a policy that automatically increases the distribution of TAT revenue to the counties at the same rate that revenues grow.

Cost includes operational and salary	FY 2015	Increase
4 Police Departments	\$93.9 M	31.7%
4 Fire Departments	\$60.5 M	41.2%
4 Parks Departments	\$15.9 M	14.4%
Total	\$170.3 M	30.8%

5. The State-County Functions Working Group created under Act 174 (2014) issued a report that found the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. The State has adequate resources to make the adjustment; General Fund revenues are projected to be more than \$7.1 billion for Fiscal Year 2017, \$547 million more than Fiscal Year 2016.
6. The policy for TAT revenue distribution **should again be based on a formula** that returns a set **percentage** of revenue to the counties where it is earned, rather than a capped amount of money. A formula-based policy allows distributions to the counties to increase as visitor numbers grow, without a need to change the statute. A capped-distribution policy gives the wrong impression that returning TAT revenue to the counties is a sort of charitable donation and requires the counties to beg the Legislature for more money as visitor-related expenses grow.

For the foregoing reasons and those outlined in Maui County Council Resolution 16-15, **I urge you to consider amending this measure to provide fairness to the counties by significantly increasing their share of the TAT.**