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March 15, 2016

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

FROM: Mike White
Council Chair

A handwritten signature in black ink, appearing to be "Mike White", is written over the printed name and title.

SUBJECT: **HEARING OF MARCH 16, 2016; TESTIMONY IN OPPOSITION TO SB
2987 SD 2, RELATING TO TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **opposition** to this measure. The purpose of this measure is to cap 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.

My testimony is 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, in addition to my tenure on the Maui County Council over the last five years.

I oppose this measure for the following reasons:

1. This measure would codify the ill-advised policy that the allocation of TAT revenue to the counties should be based on a statutorily capped amount of money. This contradicts the conceptual and legal 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 began the process of increasing the TAT, arbitrarily capping the counties' share to help balance its budget, but offered no significant assistance as the counties also experienced economic hardship in the ensuing years.

3. Since 2007, the State’s 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

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%

of TAT revenue, and this increased expenses place a growing and unfair burden on local residents. Sound fiscal practices favor a policy that automatically increases the distribution of TAT revenue to the counties at the same rate that the revenue grows.

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.
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 oppose** this measure.