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March 20, 2017

TO: The Honorable Richard H.K. Onishi, Chair
House Committee on Tourism

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF MARCH 21, 2017; PROVIDING COMMENTS ON SB 1290, SD 2, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to provide comments on this important measure. The amended purpose of this bill is to place a cap on the allocation of the transient accommodations tax revenue to the counties to \$108 million.

The Maui County Council supports lifting the cap on the TAT share to the counties, therefore, I am providing this testimony on behalf 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 Kaanapali Beach Hotel for 30 years, and through my service as a state legislator from 1993 to 1998.

Please consider the following comments:

1. I appreciate the legislature's effort to increase the counties' portion of the TAT, but our goal remains – lift the cap. I support the original recommended 45 percent allocation of the remaining TAT revenue to the counties after specific appropriations, with the State receiving 55 percent. This split is consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014) noting the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent.
2. The purpose of the TAT was to help the counties fund visitor-related expenses based on a **percentage of earned revenue**, not as a form of charity based on a fixed amount. Adding the \$108 million cap is NOT consistent with the purpose of the tax. The counties' share increases or decreases, based on a formula proportional to the TAT revenue collected.
3. As partners in Hawaii's governance, the measure will provide the counties the ability to plan and invest on visitor program improvements consistently over time with a predictable and stable source of revenue. From Fiscal Year 2007 to

2017, the four counties collectively received a mere \$2.2 million in TAT, while expenses for just fire, police and park services have increased by more than \$260 million. Furthermore, we are faced with collective bargaining negotiations this year. Expenditures rise at a pace far exceeding the counties' share.

4. During the same period, the State's annual share of TAT revenue has increased by more than \$220 million. This is because of the arbitrary cap placed on the counties' share to help balance the State's budget during the economic downturn. But now that we have a record-number of visitors already paying for the services they use, it is time to return a fair share to the counties to relieve our residents the burden of paying for our tourists.
5. According to visitor-industry consultant HVS, Hawaii counties receive the lowest amount of taxes generated from hotel room revenues compared to our peers across the nation. Counties in Hawaii on average receive 17 percent of revenues when combining hotel room revenues and excise tax, while on average, peers across the nation receive 67 percent based on the same calculation.

I commend the **original intent** of this bill for recognizing that the TAT has indeed evolved and urge you to incorporate lifting the cap and changing it to a percent-based formula that the counties have been fighting for years.