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January 29, 2018

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

FROM: Mike White
Council Chair

SUBJECT: **HEARING OF JANUARY 30, 2018; TESTIMONY IN SUPPORT OF HB 1665, RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

Thank you for the opportunity to testify in **support of** this important measure. The purpose of this HB 1665 is to amend the amount of transient accommodations tax revenues allocated to the counties from the specified sum to a percentage of the revenues collected.

The Maui County Council supports lifting the cap on the TAT share to the counties and a nearly identical bill is included in the Hawaii State Association of Counties legislative package. 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 hotel general manager for 33 years, and through my service as a state legislator from 1993 to 1998.

I support this measure for the following reasons:

1. From Fiscal Year 2007 to 2017, the four counties collectively received a mere $2.2 million increase 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 increases this fiscal year. Expenditures are rising at a pace far exceeding the counties' share.

2. 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 of the burden of paying for our tourists.

3. 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. The $103 million cap is NOT consistent with the purpose of the tax. The counties' share should increase or decrease, based on a formula proportional to the TAT revenue collected.

4. The 45 percent allocation to the counties with the State receiving 55 percent is also consistent with the comprehensive study by the State-County Functions Working Group created under Act 174 (2014). The report noted that the counties are responsible for 54 percent of net expenditures directly supporting tourism, while the State provides 46 percent. 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.

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.

For the foregoing reasons, I **support** this measure.

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