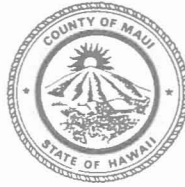


CHARMAINE TAVARES
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OFFICE OF THE MAYOR
County of Maui

February 16, 2010

The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Oshiro and Members:

RE: HB 2598 – RELATING TO TRANSIENT ACCOMMODATIONS TAX

Thank you for the opportunity to testify in opposition to HB 2598, which would suspend for three years, the distribution of transient accommodations tax revenues to the counties.

Revenue from the TAT is a vital source of funding for all counties in the State of Hawaii. The County of Maui relies on its portion of TAT revenue to assist with funding critical services, facilities, programs and government operations for visitors and residents every year.

The TAT is added to the bill that our visitors pay for staying at one of our vacation locations. The Counties' share of the TAT represents a partnership with the State to help with some of the visitor impacts to the Counties. The TAT is not a "hand out" from the State to the Counties - it is a share of what is generated in each county. The visitors will continue to pay the taxes, but if the State takes back our share, we will have an additional 17 - 20 million dollar shortfall that will have to be made up by County taxpayers.

As you are already know, the State collects these taxes from all four counties, pools them together and pays out shares according to a formula that assigns the majority of the funds to the Hawaii Convention Center and to statewide tourism promotion with the remainder or approximately 45% to the counties.

Attached is a chart enumerating how much tax is generated and what portion goes to the State and what portion goes to the Counties on a room that costs \$100. From a total of \$12.25 collected in taxes, Maui County, under the current formula, would receive 84 cents – a small but significant amount.

Throughout past decades, the State and the Counties have been partners in providing services for our constituents – constituents who are both state and county constituents. For example, the counties provide for motor vehicle and driver licensing programs on behalf of the State. The State, in turn, reimburses the counties for some of the costs to operate the

The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance
February 16, 2010
Page 2

programs. Our Police Department enforces State traffic laws and the fines generated all go to the State. Our parks and recreation facilities are used by the State's Department of Education. This includes tracks, gymnasiums, swimming pools and other facilities. The counties provide for administration of state liquor control laws. Fortunately, this program is 100% self-sufficient.

Maui County further supports our partnership by funding programs that are clearly state functions such as our support of Maui Community College's nursing and dental assistant programs, the University of Hawaii CTAR (College of Tropical Agriculture & Human Resources) program, business development and technology programs, aquaculture/marine resources development programs, the Farm Bureau, soil and water conservation districts' programs, watershed protection, invasive species eradication, miconia containment and other environmental protection programs. In our fiscal year 2010 budget the total is approximately \$10 million.

And, as you may know, Maui County invests over \$3 million in county funds to support our visitor industry. We recognize the importance of this industry to the economic well-being of our County. This investment directly impacts how much TAT is collected.

If we stop supporting these programs, our county - our community and our natural resources will be diminished. Many employed in these programs will lose their jobs. All programs have received reductions in the past two years but have been able to adjust with some impacts to the programs.

While I understand the budget challenges facing the State, please know that Maui County is dealing with our own budget difficulties and is relying on every possible funding source to fulfill our county jurisdictional responsibilities. We realized that the budget challenges facing the State would eventually be upon us.

The delay in the severity of revenue shortfalls for the county lags behind the State due to the differing sources of revenues for the State (GET/income taxes) and revenue sources for the Counties (real property taxes/TAT).

Please examine all sources of State revenue from the numerous special funds to the State's own taxing authorities. For Maui County, everything is on the table from raising taxes and fees to cutting non-core services, operating budgets and programs. We are examining all means available to us to get through these challenging times.

The Honorable Marcus R. Oshiro, Chair
and Members of the House Committee on Finance
February 16, 2010
Page 3

Please understand that even with our share of the TAT, we are dealing with a significant revenue shortfall of around \$53 million. Without the TAT, our shortfall jumps to \$70 - \$73 million! Making up for these shortfalls puts a huge burden on county taxpayers.

Shifting the responsibility from the State to the County property tax payers and the fee/rate payers for County services, is not fair and undermines the partnership with the State that we have enjoyed in the past.

We, over a million residents of our Great State who live on one of our beautiful islands, are depending on you to act wisely and fairly and with courage to do the right thing.

Thank you again for allowing me to share Maui County's perspective.

Sincerely,

A handwritten signature in black ink, appearing to read "Charmaine Tavares", with a long, sweeping flourish extending to the right.

CHARMAINE TAVARES
Mayor, County of Maui

Attachment:

