

State-County Functions Working Group (Transient Accommodations Tax)

(Established by Act 174, Session Laws of Hawai'i 2014)

State of Hawai'i

<http://auditor.hawaii.gov/>

Minutes of Meeting

Date: Wednesday, March 4, 2015

Time: 10:02 a.m.

Place: State Capitol
415 S. Beretania Street
Conference Room 414
Honolulu, Hawai'i

Present: Simeon R. Acoba, Chair, Chief Justice Appointment
Sananda Baz, County of Maui Appointment
Ed Case, House Appointment
Mary Alice Evans, Governor Appointment
Steven Hunt, County of Kaua'i Appointment
George Kam, Senate Appointment
Deanna Sako, County of Hawai'i Appointment
Jesse Souki, Governor Appointment
George Szigeti, House Appointment
Kerry Yoneshige, Governor Appointment

Jan K. Yamane, Acting State Auditor, Office of the Auditor
Kathleen Racuya-Markrich, General Counsel, Office of the Auditor
Jayna Oshiro, Analyst, Office of the Auditor
Pat Mukai, Secretary, Office of the Auditor

Excused: Neal Miyahira, Governor Appointment
Ray Soon, City and County of Honolulu Appointment
Ronald Williams, Senate Appointment

I. Call to Order: Chair Acoba called the meeting to order at 10:02 a.m., at which time quorum was established. The agenda for this meeting was filed with the Office of the Lieutenant Governor, as required by Hawai'i Revised Statutes, Section 92-7 (b).

II. Public Testimony

None

III. Chair's Report

a. Announcements, introductions, correspondence, and additional information

None

b. Minutes of February 4, 2015 meeting

It was moved by Member Evans, seconded by Member Szigeti, and unanimously carried to approve the minutes of the February 4, 2015 meeting.

c. Legislation – Discussion of TAT and SCFWG bills and testimony (hand-outs)
WG testimony requesting deferral of bills relating to the TAT

Testimonies were submitted for all bills that touch the TAT in any way. Chair Acoba and ASA Yamane have appeared for all hearings on behalf of the WG. ASA Yamane stated that Senator Kahele, Chair of the Senate Tourism Committee, indicated that he would like to give the WG time to complete its work and expressed confidence in the WG.

Chair Acoba related that Representative Tokioka from Kaua'i complimented the WG on its work.

Member Szigeti attended some of the hearings and echoed ASA Yamane's comment that the WG is gaining traction.

Member Hunt stated the mayors have taken the same position to ask the Legislature not to touch the TAT this session and defer to the WG.

Testimony on HB 1214 – budget bill

ASA Yamane explained that the House Committee on Finance heard and passed HB 1214 with amendments to leave the appropriation amount blank and defect the effective date to move the bill forward. The committee report has not yet been posted. She is not hopeful about getting all or some of the moneys being requested. There are numerous budget bills and requests going through this year; and it's a thin budget year. The Senate bill died. The vehicle will be the House bill.

IV. Consultant Services – Discussion and approval of draft RFP

Original Request for Proposals (RFP) deadline to respond on May 1st

The RFP incorporates all changes requested by the WG at its last meeting. It was moved by Member Evans, seconded by Member Yoneshige and unanimously carried to approve the original RFP for Sealed Offers for Professional Services for the State-County Functions Working Group.

Option 2 RFP with deadline to respond on April 1st

Option 2 is a modified version of the original RFP. It was moved by Member Evans, seconded by Member Yoneshige to discuss the Option 2 draft.

Ms. Racuya-Markrich explained that the Option 2 RFP scales back the objectives and scope of work based on the WG's discussion at its last meeting.

Page 5, 2.2.2 Objectives. The objectives are to assist the WG in developing models and writing the report. Item 'a' in the original RFP is deleted.

Page 5-6, 2.2.3, Scope of Services. Items 'c' and 'd' in the original RFP are deleted as not being necessary.

Page 7 Time Limitations. The timetable outlines the various deadlines the consultant must adhere to for purposes of presenting information to the WG for its approval.

Chair Acoba proposed an additional clarification on page 5 in 2.2.2, item 'a.' He proposed that subsection 'i' and 'ii' be parallel and not limited to just percentage, so the WG has leeway to have a broader view.

The proposed change in subsection 'ii' would read:
"the percentage of public services including consideration of factors such as the percentage of tourism revenues and expenditures for each county."

It was moved by Chair Acoba, seconded by Member Szigeti that the amendment in 2.2.2 a. ii be adopted. The motion was unanimously approved.

Member Baz moved to approve the second (option 2) RFP, amend the deadline date to respond by May 1st and make non-substantive changes to the internal dates to reflect the July 1st appropriation, the motion was seconded by Member Case and unanimously carried.

Update on funding

ASA Yamane checked with the Senate President and House Speaker, and reported that using the special project moneys in the Auditor's office budget is not an option. Funding, if any, will be in HB 1214. The WG should continue to hold and move on the RFPs. It's good to have both big and small RFP options. The group will not likely have a decision on the budget issue until the last week of April.

Member Souki arrived at 10:18 a.m.

Floating both RFPs simultaneously

Member Case and Member Hunt asked about floating both RFPs at the same time.

Ms. Racuya-Markrich could think of no down side to proceeding to do so.

ASA Yamane said the dates will be the same for both, it's just one (option 2 RFP) will be for a smaller amount. Both RFPs can be issued while we wait to see what happens with the budget bill.

V. Establishment of Investigative Groups – Discussion and assignments (handout)

ASA Yamane walked the WG through the process of establishing investigative groups as permitted under the Sunshine Law. Doing so would enable the WG to work interactively with each other. The process involves:

- 1) Defining the scope of investigation; the scope of the member's authority; assigning members—two or more but less than seven because seven would be quorum; and name an Investigative Group Chair. People outside of this group could be included from a member's staff.
- 2) By March 23rd notify the Auditor's Office of the investigative group's work to present as an agenda item. By March 25th submit any handouts or other work developed to be sent to members and posted to the website on March 27th.
- 3) At the April 1st meeting, each investigative group will present their work to the full WG. Decision making on the information cannot occur until the following month and must be agendized.

This is a three-month process; the group is assigned to do its investigation, bring the information to present to the next WG meeting, and make a decision at the following meeting.

ASA Yamane explained that the office cannot draft the report for the WG. We can compile some of the information and put it together. For example, the four counties have their pieces that all came in different, we wouldn't be able to say which one to use and what methodology to use, we would have to rely on the counties to decide. Each WG member has the expertise and could be involved in a different capacity.

The responsibility of the investigative group chair would be to decide on the wording of an agenda item, submit handouts, and present the information to the WG. One or two other members could be added to give the group perspective. If there's some common ground that you can all agree to and bring back to the WG as a whole, then one piece of work is done. Investigative groups can meet via conference call. We just have to be careful to follow the law by bringing the information back to the next meeting and making a decision at the following meeting.

Three investigative groups established

1. County Duties and Responsibilities Investigative Group

Define scope of the investigation:

- 1) Develop a common template for the counties to evaluate the duties and responsibilities. Consider CAFR data.
- 2) Develop allocation(s) based on tourism factors, including population.

Define scope of each member's authority:

- 1) Be responsible for respective county data.
- 2) Cooperatively discuss and develop recommendations for the WG.
- 3) Seek information from relevant sources.

Assign WG members:

- 1) Sandy Baz (Maui)
- 2) Steve Hunt (Kaua'i)
- 3) Deanna Sako (Hawai'i)
- 4) Ray Soon (City and County)
- 5) Kerry Yoneshige (DAGS)

Name Chair: To be determined by investigative group.

It was moved by Member Baz, seconded by Member Sako to establish the county duties and responsibilities investigative group. The motion was unanimously approved.

2. State Duties and Responsibilities Investigative Group

Define scope of the investigation:

- 1) Develop a template for the State to evaluate its duties and responsibilities. Consider CAFR data.
- 2) Develop allocation(s) based on tourism factors.

Define Scope of each member's authority:

- 1) Be responsible for the State's data.
- 2) Cooperatively discuss and develop recommendations for WG.
- 3) Seek information from relevant sources.

Assign Members:

- 1) Mary Alice Evans (DBEDT)
- 2) Jesse Souki (DLNR)
- 3) Kerry Yoneshige (DAGS)
- 4) Neal Miyahira or Rod Becker (B&F)
- 5) Steve Hunt (County of Kaua'i)
- 6) Ed Case (Visitor industry)

Name Chair: To be determined by investigative group.

It was moved by Member Yoneshige, seconded by Member Evans to establish the State duties and responsibilities investigative group. The motion was unanimously approved.

3. Visitor Industry Investigative Group

Define scope of the investigation:

- 1) Review and summarize visitor industry and other views on visitor-related needs for state and county services.

Define Scope of each member's authority:

- 1) Discuss with, and obtain information from, visitor industry and other sources.

Assign Members:

- 1) Ed Case
- 2) George Kam
- 3) George Szigeti
- 4) Ron Williams or designee
- 5) Sandy Baz

Name Chair: To be determined by investigative group.

It was moved by Member Evans, seconded by Member Yoneshige to establish the visitor industry investigative group. The motion was unanimously approved.

The Chair asked each investigative group to focus on two issues: 1) evaluation; and 2) allocation.

VI. Evaluate the division of duties and responsibilities between state and counties relating to the provision of public services.

This agenda item was not discussed.

VII. Allocation of TAT Revenues – Discussion (handout)

Member Hunt prepared a hand-out on various metrics; but he suggested that discussion could occur during investigative group work.

VIII. Invitations to Department of Taxation and/or other experts to present on TAT-related topics – Discussion

ASA Yamane stated that other WGs invited various experts to provide background information or perspectives at their meetings. The WG might consider inviting Department of Taxation (DoTax). The Tax Foundation is another suggestion.

ASA Yamane responded to Member Baz that the office could handle requests to the departments if during the investigative group's work, information from DoTax is needed.

Member Evans stated the tax department could be helpful in recapping the most recent tax commission report to the Legislature. Every five years, the tax department has the Legislature convene the tax commission to look at models throughout the country and relate those to Hawai'i's model. It's modeled legislation and there may be other states that are high on tourism activities but the last one didn't focus on that at all. DoTax Research and Planning Office is the repository for the report.

Member Yoneshige suggested asking DoTax Research and Planning Office to make a presentation on the history trends and other practices that are used for TAT, for example, Florida and California.

Chair Acoba asked ASA Yamane to invite DoTax to make a presentation that is at least 10–15 minutes and provide 15 minutes for discussion.

Member Baz stated that there's very little reference in the tax commission report on TAT and only a very brief discussion on it. He asked if DoTax would have better information.

ASA Yamane will explore this with the DoTax director to see if they can provide something more specific. She also contacted the National Conference of State Legislatures (NCSL) to which all legislative agencies and the Legislature belong, and will bring that information to the next meeting.

- IX. Adjournment: With no further business to discuss, Chair Acoba adjourned the meeting at 11:38 a.m.

Reviewed and approved by:



Jan K. Yamane
Acting State Auditor

Approved as circulated.

TATWG/20150304