

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, October 22, 2014

Time: 10:00 a.m.

Place: State Capitol
415 S. Beretania Street
Conference Room 229
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
Neal Miyahira, Governor Appointment
Deanna Sako, County of Hawai'i Appointment
Ray Soon, City and County of Honolulu Appointment
Jesse Souki, Governor Appointment
George Sziget, House Appointment
Ronald Williams, Senate Appointment
Kerry Yoneshige, Governor Appointment

Gary Kurokawa, City and County of Honolulu, Department of Budget and Fiscal Services
Max Sword, Outrigger Enterprises Group
Senator Gilbert Kahele, Chair, Committee on Tourism

Jan K. Yamane, Acting State Auditor, Office of the Auditor
Jayna Oshiro, Analyst, Office of the Auditor
Pat Mukai, Secretary, Office of the Auditor

I. Call to Order: Chair Acoba called the meeting to order at 10:00 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. Introductions

a. Member introductions

The working group members introduced themselves.

Simeon Acoba, Chair, is a retired Supreme Court Associate Justice.

Sananda Baz is the Budget Director for the County of Maui.

Steve Hunt is the Finance Director for the County of Kaua'i.

Deanna Sako is the Deputy Finance Director for County of Hawai'i.

Ray Soon is the Chief of Staff for the City and County of Honolulu.

Mary Alice Evans is the Deputy Director for the Department of Business, Economic Development and Tourism.

Jesse Souki is the First Deputy to the Chair for the Department of Land and Natural Resources.

Neal Miyahira is the Administrator of the Budget Program Planning and Management Division for the Department of Budget and Finance.

Ed Case is the Senior Vice President and Chief Legal Officer for the Outrigger Enterprises Group.

Kerry Yoneshige is the Business Management Officer for the Department of Accounting and General Services. He is also a Certified Public Accountant.

George Szigeti is the President and CEO of the Hawai'i Lodging and Tourism Association. He previously was the President and CEO of Better Brands, Ltd.

George Kam is involved in the business community. He has a passion for tourism and is currently with Quiksilver.

Ron Williams is the President and CEO of Atlantis Adventures, LLC. He was the Chair of the Hawai'i Tourism Authority Board for the past four years.

- b. Brief overview and background of Act 174 (SLH 2014) and Act 161 (SLH 2013) (handouts – information only)

Acting State Auditor Jan Yamane provided a brief overview of Act 174 (SLH 2014). She stated that the interim report of the working group is due 20 days prior to the start of the 2015 legislative session, which is December 31, 2014. The interim report will include background information of the transient accommodations tax, list of working group members, and the plans of the working group in 2015. The final report will be a full report including the working group's findings and recommendations.

- c. Contact information for Auditor's office

A contact list of the working group members, including contact information for the Office of the Auditor was distributed to the members. Acting State Auditor Jan Yamane informed the members that agendas and minutes, as well as any additional information and resources, will be posted to the Office of the Auditor's website at <http://auditor.hawaii.gov/task-forceworking-group/>

- d. Overview of Chapter 92, HRS, Open Meetings (handouts – information only)

Acting State Auditor Jan Yamane provided a brief overview of Chapter 92, Hawai'i Revised Statutes (HRS), Open Meetings. Members were provided a copy of the Guide to "The Sunshine Law" for State and County Boards, January 2013. The working group will comply with the requirements of Chapter 92, HRS.

- e. Overview of Chapter 84, HRS, State Ethics Code (handouts – information only)

Acting State Auditor Jan Yamane provided a brief overview of Chapter 84, HRS, State Ethics Code. The working group is considered a board or commission of the State. The

working group will last more than one year—it will cease to exist upon sine die of the 2016 legislative session. Therefore, all members are required to submit financial disclosure statements within 30 days of this meeting. Members were provided information on the State Ethics Code including an ethics guide and checklist; and information on filing financial disclosure (long form) statements. Members can file their financial disclosure statements online through the State Ethics Commission's website at <http://ethics.hawaii.gov/> or hard copy. The Office of the Auditor has informed the State Ethics Commission of the establishment of the working group.

III. Timeline

- a. Interim report – due 20 days prior to the 2015 legislative session (December 31, 2014)

Chair Acoba stated that there are two meetings scheduled for the remainder of 2014—November 5, 2014 and December 3, 2014. The initial report needs to be approved by the working group at the December 3, 2014 meeting.

- b. Final report with its findings and recommendations – due 20 days prior to the 2016 legislative session (December 30, 2015)

Acting State Auditor Jan Yamane stated that the Office of the Auditor will handle the reporting function including delivering the report to the Legislature. She also explained that the interim report will be in a letter form that will include what has been done in 2014 and what will be done by the working group in 2015. The final report may be a letter or a formal report. However, if legislation needs to be drafted, the Office of the Auditor needs time to coordinate drafting with the Legislative Reference Bureau (LRB) by November 15, 2015 for the final report. LRB is the Auditor's office's drafting agency.

- c. Schedule of meetings (date/time) for 2014 and 2015

The working group agreed to schedule its meetings on the first Wednesday of the month at 10:00 a.m. throughout 2015, with additional meetings scheduled as needed.

The agenda lists three proposed meeting dates at the end of 2015—October 14, 2015; November 4, 2015; and December 2, 2015. After discussion, the October 14, 2015 meeting date will be changed to October 7, 2015.

IV. Working group letterhead

The members were provided a copy of the working group's letterhead. The letterhead will be used for any correspondence. The agenda will also be filed on the letterhead.

V. Working group policy – public testimony (time allowed)

The members agreed to limit the amount of time for individuals to present public testimony to three minutes and give the Chair the discretion to extend the time for individual testimony. The members also agreed to take up public testimony at the beginning of the meeting.

VI. Focus of working group

Chair Acoba reviewed the purpose of Act 174 (SLH) 2014.

a. Purposes of Act 174

- 1) Evaluate the division of duties and responsibilities between the state and counties relating to the provision of public services; and
- 2) Submit a recommendation to the legislature on the appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating the provision of public services.

Chair Acoba suggested that the working group review the legislative history to determine the focus of what the Legislature wants for the working group. He stated that the purposes stated in Act 174 include “public services” which are broad statements.

Chair Acoba also suggested that the working group work with a baseline. The members posed various questions to consider when evaluating the division of duties and responsibilities between the State and counties:

- a) Public services – What is the definition of public service? What are the duties and responsibilities relating to providing services and what is the impact of tourism?
- b) Allocation – Should we understand why the split was made in the past to determine what the Legislature was thinking? Is the working group’s charge to evaluate all distribution of the TAT revenues or a portion of the distribution? Is the current allocation based on public services in general or in relation to tourist activities? Is there or should there be a nexus between the allocations and tourism related expenses?

It was reported that the Hawai’i Tourism Authority established a working group last year (2013) that included the director of finance and the counties to review the allocation of the TAT. The counties used a template prepared by County of Kaua’i and tried to break out separate costs relating to visitors, such as police and fire.

The Chair suggested as a baseline, we could look at the overall expenditures of the State and counties. The Chair noted that the conference committee’s report on Act 174 (SLH 2014) indicates that the Legislature is relying on the study of the working group as a basis for going forward to allocate TAT revenues.

VII. Methodology/approaches/consultant – Discussion only

Acting State Auditor Jan Yamane explained that Act 174 (SLH 2014) does not include an appropriation. The Office of the Auditor needs to submit in its budget for next year the costs of the working group. If a consultant is required, the cost needs to be included in the Auditor’s budget request. After discussion, it was suggested that the working group wait on deciding whether a consultant is needed. Acting State Auditor Jan Yamane asked that the working group decide on whether a consultant is needed by the December 3, 2014 meeting.

VIII. Adjournment: With no further business to discuss, Chair Acoba adjourned the meeting at 11:57 a.m.

Reviewed and approved by:

A handwritten signature in black ink, appearing to read "Jan K. Yamane". The signature is written in a cursive style with a large initial "J".

Jan K. Yamane
Acting State Auditor

Approved as amended.

TATWG/20141022