Agenda item II.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
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October 6, 2015

TO: Honorable Simeon R. Acoba, Chair
and Members of the State-County
Functions Working Group (TAT)

FROM: Mike White
Council Chair

SUBJECT: **MEETING OF OCTOBER 7, 2015; TESTIMONY ON ALLOCATION OF TRANSIENT ACCOMODATIONS TAX REVENUES**

Thank you for the opportunity to testify on this important matter. The Maui County Council has not taken a formal position on the allocation of transient accommodations tax (TAT) revenues. Therefore, I am providing this testimony in my capacity as an individual member of the council.

At this critical juncture, I would like to reiterate that the counties' share of the total TAT revenue, at a minimum, should be fixed at 50 percent.

As stated in my previous testimony, I hope you will take time to review the *2014 HVS Lodging Tax Report* that lists 150 cities, special districts, and counties throughout the nation incorporating all taxes imposed on lodging, including state taxes. This report includes, in my opinion, enough data to set a fair benchmark.

In reviewing the data, the 150 *local* governments in the report receive an average of a 9.08 percent accommodations tax rate. In contrast, counties in Hawaii on average receive a 2.26 percent accommodations tax rate, ***which is less than a quarter of the 9.08 percent average among our national peers.***

The State of Hawaii receives revenues equivalent to a 10.99 percent tax rate, which is more than double the 4.33 percent that the states of the 150 local governments' average. In other words, ***the State of Hawaii takes more than 2.5 times more of the accommodations taxes collected in local jurisdictions than other states do.***

The State provides a mere 28 percent of the overall lodging taxes to counties, but only eight cities in the study receive anything below 40 percent in accommodation taxes. In addition, 21 percent of the municipalities in the study receive 100 percent of taxes on lodging, and ***67 percent in the study receive 60 percent or more***.

We also must keep in mind that Hawaii utilizes a general excise tax and most other states employ a sales tax. Therefore, the State has a greater ability to raise revenue.

	Local Gov't	*State*	*Total*
Average accommodations tax rate of 150 municipalities	9.08%	4.33%	**13.41%**
Current average accommodations tax rate for Hawaii counties	2.26%	10.99%	**13.25%**
Proposed 60-40 split accommodations tax rate for Hawaii counties	3.70%	9.55%	**13.25%**

Despite the new proposal of 60 percent of accommodations revenue going to the State and 40 percent to the counties, ***this still does not bring us close to our peers nationally.***

COUNTIES HAVE KEY RESPONSIBILITES
I would like to reiterate that local governments bear a significant responsibility for providing a wide array of services and infrastructure necessary to support a vibrant visitor industry. While the State has taken a greater share of the TAT, the cost of core services provided by the counties to our residents and visitors have continued to increase.

On average, the cost for core services in Maui County from 2007 to 2014 ***increased 33 percent***, or around $27 million, yet Maui County has only received an increase in TAT revenue of $508,623 or 2.2 percent, over the same period.

	Cost increases		*Change*	
	2007	*2014*	*$*	*%*
Fire	$21.9M	$29.9M	**$7.9M**	**36.1%**
Parks	$23.7M	$29.9M	**$6.2M**	**26.5%**
Police	$37.9M	$50.5M	**$13.1M**	**35.3%**

It is often said that counties should increase their property tax rates. *We have done exactly that* in response to declining property values. Since the start of the recession, Maui County has *reduced* exemptions and *increased* tax rates. The result is an ***increase of 23 percent*** in the effective tax rate per $1,000 of property value. Along with our property taxes, the TAT distribution provides critical support for visitor-related infrastructure and operating expenses.

Some State officials erroneously view giving TAT to the counties a potential loss. But the State and the counties serve the same constituents of Hawaii, which is why I continue to urge legislators to view these proposals as shared investments.

CONCLUSION

As the visitor industry begins to rebound, it is only fair that the counties receive a larger share of the TAT. National data clearly suggest counties in Hawaii are lagging behind their Mainland counterparts in the amount of revenue generated from lodging taxes.

With the current distribution, we rank 149 out of 150 in lodging taxes distributed to counties. With the proposed 40 percent distribution to counties, our ranking would improve to only 142.

It is critical to note the TAT distribution is particularly important to Neighbor Islands because our economic regrowth continues to lag behind that of Oahu. In addition, visitors in the Neighbor Islands make up a much larger portion of the de facto population.

The increase in the cap last year was much appreciated, but ***fairness dictates that more should be done***. It is simply not right for the State to have helped itself to a tax meant to benefit the counties. With the State receiving ***23 times more*** than in 2007 and the counties getting an increase of just 2.2 percent, it is only fair and appropriate for more parity and balance in the TAT distribution.

The counties are currently receiving $103 million in TAT revenue or approximately 25 percent of the total TAT revenue. If the counties received the same portion as an average municipality in the HVS study, the counties would be receiving over $270 million.

At a minimum, I firmly believe that the counties' share of the total transient accommodations tax revenue should be 50 percent. This would move us up to the rank of 130 out of 150. Thank you for your consideration.

Agenda item II.

Margaret Wille
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To: Honorable Simeon Acoba, Chair
and members of the State-County TAT
Functions Working Group

From: Margaret Wille, Council Member
County of Hawai'i County Council

Subject: Allocation of the Transient Accommodation Tax (TAT) Revenues.
Testimony before the Working Group on October 21, 2015

I am submitting this testimony concerning the allocation of TAT revenues as an individual Councilmember. The Hawai'i County Council has not taken a formal position. The approach the Working Group is taking concerns me. For this reason I ask you to consider the following:

1. THE "PROMISED 44.8% PERCENTAGE" MODEL:
What seems to have been forgotten is that back in 2009 when the County's TAT allocation was reduced down from 44.8% and capped, State Legislators repeatedly said the Counties' allocation would be returned to that amount once the economy was back on the upswing. The County allocation of 44.8% was steady from about 2001 to 2009. It is now about 23%.

I recall so clearly asking State legislators how can we trust that you will in fact carry out this promised return to the Counties allocation of 44.8%, but we were assured the drop from 44.8% was only temporary. Yet the economy has rebounded, and this promised return to that percentage of the Counties' has been ignored and is being overlooked by the Working Group and its consultants.

So why is this "promised" 44.8% percentage model not being given serious consideration? It is within the range of the various comparisons of State versus County tourist revenue and spending. From the Counties' point of view, this percentage model is what is fair and its basis is easily understandable and supportable based on the Legislature's directive to the Working Group.

2. **THE "ORIGINAL INTENT" MODEL:**
Likewise the "original intent model" is not being given serious consideration. Based on the **Tax Review Commission Report** (1990), the preferred outcome was for the Counties to receive

taxing authority for collection of the entire TAT revenues collected on in the individual Counties, rather than being dependent upon a "grant in aide" or tax sharing arrangement. The TAT was supported as an appropriate source of County revenue in addition to property taxes. The State would control all other significant revenue streams, even County raised revenue from County police traffic tickets and forfeitures. The TAT rate was 5% at that time. To facilitate administration of collection and distribution of the TAT, instead of giving the Counties taxing authority, the legislature choose to have the TAT revenue come into the State for distribution, allocating 95% of the revenue to the Counties and withholding only 5% for the State's administrative costs.

A few years later, to cover the cost of the Convention Center and Hawai'i Tourism Authority, the TAT was increased to 7.25%. More recently the State raised the tax to 9.25% with all of that increase going to the State. Moving forward the intent certainly seems to have morphed towards the view that the TAT revenues is the low hanging fruit that the State usurps rather than pursuing other revenue streams to cover state expenditures.

Based on the original philosophical intent and recommendations of the Tax Review Commission Report– the Counties share of TAT revenues should remain at about 50% of the total collected (95% of the first 5 of the 9.25% rate).

3. **THE WORKING GROUPS "60/40" MODELS:**
If the Working Group is determined to abandon the promised 44.8% model and the original intent model in favor of a "60/40", at least this model should be interpreted as, being just that, meaning that the Counties" share is 40% of the total revenues collected. Under this model the Hawaii Tourism Authority (HTA) allocation is part of the State's allocation. It is really up to the State whether to set HTA's allocation based on a percentage or a flat rate (e.g. 20% or a flat 83 million, or some combination of the two, and the State earmarked allocations are attributed to the State's remaining 60%. Another way of looking at this model is HTA 20% and State/County 40% each (or 50/50 of the remainder after HTA).

Although the Counties are angry the "return to promised 44/8%" plan is not on the table, I expect this straight forward 60/40 plan would be accepted by the Counties.

All other interpretations of a 60/40 model will be viewed as deceptive manipulations to allocate more of the TAT revenues to the State, without being upfront with that State biased agenda.

Take for example the alternative "60/40 Recommended Model". The alternative 60/40 model is in fact a 71.2/28.8 percentage model, as here explained:
-- HTA: 20% or a flat 83 million
-- State Legislature: 10% of the remaining 80%= 8%
-- then 60/40 of the remainder to the State and Counties, which means the State receives about 71.2% and the Counties receive about 28.8 % of the total TAT revenue collected.

THE "LESSONS LEARNED" MODEL
The Consultant's so-called "lessons learned" model is even more of a slap in the face to the Counties. It is based on an even more complicated arrangement, which boils down to withholding the first 20% for the State Legislature to later decide if it needs the withheld 20% for something it designates. This model will likely translate into the Counties receiving around 20-

22% or less of the total revenues, and my realistic expectation is the Counties would never receive any of the withheld 20%.

CONCLUSION:
I want to be very clear, if the Working Group does not propose a fair allocation to the Counties, the TAT battle will go on year after year – and create a more and more divisive relationship between the Counties and the State.

In sum, in my opinion:
1. A 50/50 State/County split of the TAT revenues is the obvious fair allocation.
2. Any less than the "promised 44.8%" model (63.2/44.8) is unfair.
3. A compromise 60/40 State/County allocation would likely be accepted as a fixed long term commitment – provided that formula is not subject to manipulations that bring the County's share down below that 40% of the total TAT revenues. Any less than a 40% County allocation– is extremely unfair and will be fought and fought year after year.

The role of this Working Group was to determine the appropriate allocation as between two entities – the State and the Counties. All of the hybrid 60/40 models are simply manipulations to take more of the TAT away from the Counties, as if more than two decision-making entities are involved, including
--proposing that HTA is third and separate entity from the State,
--proposing the State and the Legislature as separate entities (the 10% extra allocation to the Legislature as if not an extra allocation to the State;
--proposing the existing State designated earmarks should be considered separately and "grandfathered" and not part of the State allocation.

Whatever the recommended percentages, the Working Group needs to represent the Counties' proposed allocation as a simple percentage of the entire TAT revenues collected. To do otherwise would be disingenuous.

COMMENTS:
The issue here is not whether a County benefits from the State's allocation, or whether the State benefits from the Counties' allocation. Let's be clear, the question is which entity decides how the funds will be used – the State legislature or the individual Counties.

Be honest and straightforward, not complex and deceptive, in what you recommend. The comments by consultant Belt Collins and the Working Group members in the alternative "60/40" arrangement, that the State might allocate some of its additional 10% State Legislature set aside to the Counties is politically absurd. Likewise the idea the State would forgo deciding what to do with any of a proposed 20 withholding in the "lessons learned" scenario is likewise not realistic. And any suggestion that the Working Group separate out the TOT portion of the TAT, and treat it separately is, in my opinion, likewise just a way to make the allocation construct more complex, and presumably less fair to the Counties. The question before the Working Group is what allocation between two entities, the State and the Counties.

The Legislature did not ask the Working Group to review the division as between the Counties, and the consultant should not be urging that task be added to the Group's scope of work.

Before making a final decision as the fair allocation of TAT revenues, I urge the committee members (and the consultants) to reread the Tax Revenue Commission Report that was charged with recommending State-County revenue policy. That Report provides the rationale for providing the Counties with a fair share of the TAT. As the State Finance representatives have confirmed, the principles in that report are still valid.

Respectfully,

Margaret Wille, Council Member, County of Hawaii

cc: Council Chair Dru Kanuha

Agenda item IV.

BELT COLLINS

MEMORANDUM

TO:	FROM:
State-County Functions Working Group and Jan Yamane, Acting State Auditor	John Kirkpatrick for the Belt Collins Hawaii Consulting Team
COMPANY: Office of the Auditor	DATE: October 15, 2015
SUBJECT: Submittal for October 21, 2015 meeting	JOB NUMBER/REFERENCE NUMBER: 2015.70.0300

The October 7 meeting involved lively discussion but no final decision on models. This handout has two parts:

- The handout text covers several points on which one or another member of the Working Group requested additional information, in no particular order:
  - Approaches to indexing and operationalizing an indexing strategy;
  - Rates of historical change in visitor spending and TAT, 2000-2015
  - The CAFR data used to produce the ratios shown in the handout for October 7

- The appendix updates the model runs:
  - The HA forecast has been revised to estimate total TAT/TOT collections; the Recession Forecast starts from the FY 2015 TAT revenue data but assumes annual rates of change in TAT revenues per the estimated TAT tax base, 2004-2014. (This is the same approach as before, but it now starts from the reported FY 2015 revenues.) We have added a few notes concerning the models.
  - Several variant models are presented. While we believe members of the Working Group want to look closely at a few models, we do not exclude models that the Working Group may want to discuss. Consequently, we run a full set of models. We look to the Working Group to choose a model or models for decision-making.

These notes are meant to support the Working Group's discussion. The consultant report at the next meeting will consist of responding to the Working Group's questions concerning the models and issues raised in this handout and the handout for the October 7 meeting.

Indexing

The federal Bureau of Labor Statistics (BLS) produces the most commonly used index of changing prices, the Consumer Price Index (CPI). The CPI is based on the price of a basket of goods in several locations. It can be reported as a CPI for "Urban Consumers" or for "Urban Workers." The latter focuses on goods needed for subsistence by workforce families; the former is the more general analysis. Again, the CPI can be reported as a total, with various components weighted, or for specific components. Only the total is considered here.

The BLS has produced a Honolulu CPI since 1963. It is now reported semi-annually by the BLS, so annual change can be calculated for calendar years or for fiscal years (July 1 to June 30). All CPIs used in the consultant handouts are Honolulu CPIs for Urban Consumers. The historical CPI data come from BLS (see the Hawai‘i State Data Book, Table 14.5); projections of future CPI change are from the Hawai‘i Department of Business and Economic Development (DBEDT) near-term forecast. That forecast extends only three years into the future. The rate of change in CPI shown for the DBEDT forecast end-year has been extended to forecast years beyond it.[1]

A statute or policy that incorporates indexing must draw on information available at the time a budget is passed. This means that any index lags behind actual changes in prices. For example, a budget for FY2016 could be passed by the Legislature in April 2015, or by County Councils in June 2015. Legislators will need to see the results of indexing as they deliberate, so the index must be known earlier. The obvious approach is to use the annual CPI change reported by August 2014 for the period July 2013 through June 2014. In practice, an index based on historical changes but used to create budgets for the future will necessarily lag ongoing price changes by a year or more.

Alternative approaches to the CPI could be considered. For example, the Tourism Special Fund is used for national and international marketing. If it is indexed to support the same level of spending from year to year, it might be tied to the national CPI or to an index of changes in a particular economic field, e.g., advertising. Two counts against these alternatives deserve note: First, the moneys being allocated are from taxes collected in Hawai‘i, which are sensitive to local, not national, price changes. Second, the mix of advertising (or other expenditures) changes as different platforms (radio, television, newspapers and magazines, and now the Internet) emerge and compete for advertising dollars. The changing market conditions make any projection of the cost of effective marketing difficult.

The difference between standard and “chained” CPI estimates was much discussed in Washington in recent years. A chained CPI is calculated using geometric, rather than arithmetic, means. This approach has been identified as doing a better job of modeling consumers’ substitution of various goods as prices change. Over time, chained CPI has increased more slowly than the standard CPI. Analytical issues aside, chained CPI is only reported at the national level, not for particular cities such as Honolulu. Consequently, this index is not available for current purposes.

CPI under Recession Conditions

In the discussion on October 7, some Working Group members raised the point that CPI will be different in growth conditions vs. recessionary conditions – and the CPI forecast used here was devised for a growth scenario. The point is valid, but difficult to act on. We cannot simply apply historical CPIs along with historical rates of change in the TAT tax base, because historical CPIs, in both growth and recession periods, were higher than the current and near-future ones. The forecast CPI, growing from 1 percent to

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[1] The DBEDT long-term forecast, which currently extends to 2040, reports all dollar values in constant dollars, not current ones. It does not include any estimate of future price increases. An alternative approach for long-term indexing is available from the federal government, which provides estimates of nominal (current dollar) and real (constant dollar) interest rates for Treasury notes for the purpose of cost-effectiveness analyses, such as life cycle cost analysis (Office of Management and Budget Circular 94-C, updated by late January every year, http://www.whitehouse.gov/omb/circulars_a094/a94_appx-c/). The difference between the two rates for a given period indicates that anticipated change in the value of the dollar over that period. Currently, the long-term annual inflation estimate is less than two percent for periods shorter than 30 years.

2.7 percent, is modest. We considered ways to combine the forecast CPI with some of the historical CPI changes (through addition or multiplication) but no one approach seemed clearly warranted. Consequently, we use the forecast CPI for both growth and recession conditions, and recognize that this is a weakness in the forecast procedures.

Historical Changes in the TAT Tax Base

The Hospitality Advisors forecast for FYs 2015-2025 showed a 64 percent increase in TAT revenues over the ten-year period, i.e., an annual rate of growth of 5.1 percent. In the Working Group discussion, some thought this forecast was aggressive. Joe Toy pointed out that it includes not only changes in rates and occupancy for existing visitor units, but also new units in the inventory. He stressed that condominium units were in the pipeline for the next few years.

The question arose: how does the forecast compare with historical data? The TAT revenue tax base has been estimated to grow from $2,326 million in 2000 to $4,551 million in 2015, an increase of 95.7 percent over 15 years, for an annual rate of increase of 4.6 percent. If only a ten year period is examined, from 2005 to 2015, the average annual change in the tax base climbs to 5.5 percent. Based on these comparisons, the Hospitality Advisors forecast for total TAT revenues seems a mid-range one. (Averages for shorter periods are: 2000-2005: 2.7%; 2005-2010: -6.4%; 2010-2015: 8.9%.)

As noted in earlier memos, economic and political forces outside the scope of this study could lead to significant changes in future TAT revenues over ten or more years. The forecast is meant as a reasonable estimate, combining information about the visitor industry with the assumption that both TAT rates and compliance with the law will remain at current levels.

Alternative Estimates of the Ratio of State to Counties' Net Expenditures

The handout for the last meeting included a table of ratios of State to counties' spending, with different elements of reported expenditures and revenues. The last five ratios had not been presented before to the Working Group. The new ratios involving net revenue analysis are italicized here, and the tabulations that led to those figures are provided below. All data are from the tables titled "Statement of Activities for the Year Ended June 30, 2014" in the Comprehensive Annual Financial Reports (CAFR) for the State and counties for FY 2014.[2]

The table includes some changes from earlier reports, with care taken to use comparable source tables for all jurisdictions.

[2] State CAFR for FY 2014, page 32; Honolulu CAFR, pp. 36-37, Maui CAFR, p. 40, Hawai‘i County CAFR, p. 26, Kaua‘i CAFR, p. 30.

TABLE 1: RATIOS OF STATE AND COUNTIES' EXPENDITURES

Relation of State Expenditures to Counties' Expenditures	State Share	Counties' Share
1.Total expenditures, FY 2014	77%	23%
2. Direct expenditures on tourism. FY 2014 (State IG)	52%	48%
3. Weighted direct and indirect expenditures on tourism, FY 2014 (County IG)	57%	43%
4. Average of total expenditures, 2002-2012	78%	22%
5. Net Expenditures, all government functions, FY 2014	*83%*	*17%*
6. Net Expenditures, direct expenditures related to tourism, FY 2014	*46%*	*54%*
7. Gross Expenditures, "Government Activities" only, FY 2014	54%	46%
8. Net Expenditures, "Government Activities" only, FY 2014	*81%*	*19%*
9. Net Expenditures, "Government Activities" only, direct expenditures related to tourism, FY 2014	*52%*	*48%*

In these tables, government expenditures are listed in two or three broad categories: Primary Government Activities, Business-type Activities and Component Units. When the investigative group separated functional categories as directly or indirectly related to tourism, it did not include the component units in the analysis. Following their lead, these units are not included in the tourism-related analysis of net expenditures (rows 6 and 9 in the above table). However, they are included in the analysis of total net expenditures (row 5).

The component units are semi-autonomous agencies, ranging from the University of Hawai‘i system to county Boards of Water Supply. Component unit vary greatly in annual cash flow. For the State of Hawai‘i, the University and the Hawai‘i Health Systems Corporation accounted for hundreds of millions of net expenditures in FY 2014, while the Hawai‘i Community Development Fund had a net surplus for the year. The county component units showed positive cash flow.

(The expenditures listed as "Indirectly related to tourism" are total expenditures for the functional categories shown. To estimate the total "indirect" tourism expenditures, these figures need to be adjusted, taking into account the extent to which each category contributes to tourism. That analysis has not been attempted for net expenditures.)

The next table summarizes the data for net expenditures, all expenditures and government activities only. The CAFR data for each jurisdiction is shown in subsequent tables, sorted according to the State Investigative Group categories. All dollar values in this and later tables are thousands of current dollars.

TABLE 2: NET EXPENDITURES, STATE AND COUNTIES, FY 2014

	Directly Related to Tourism	Indirectly Related to Tourism, but Essential Support to Line Agencies	Not Related to Tourism	TOTAL SPENDING
	GOVERNMENT ACTIVITIES ONLY			
Honolulu City&County	$475,104	$278,903	$85,774	$839,781
Maui County	$128,735	$123,341	$13,977	$266,053
Hawai‘i County	$159,536	$58,898	$12,911	$231,346
Kaua‘i County	$105,873	$26,204	$5,389	$137,465
All Counties	**$869,249**	$487,345	$118,051	**$1,474,645**
State of Hawai‘i	**$958,798**	$4,936,414	$239,760	**$6,134,972**
Total Spending	**$1,828,047**	$5,423,759	$357,811	**$7,609,617**
% State of Hawai‘i	**52%**	91%	67%	**81%**
% All Counties	**48%**	9%	33%	**19%**
	ALL ACTIVITIES *			
Honolulu City&County	$565,988	$272,685	$85,774	*$817,644*
Maui County	$129,996	$123,341	$13,163	*$263,586*
Hawai‘i County	$159,536	$58,798	$12,911	*$226,941*
Kaua‘i County	$101,745	$26,204	$5,612	*$130,335*
All Counties	**$957,265**	$481,027	$117,461	***$1,438,507***
State of Hawai‘i	**$805,041**	$4,936,414	$100,926	***$6,841,045***
Total Spending	**$1,762,306**	$5,417,441	$218,387	***$8,279,552***
% State of Hawai‘i	**46%**	91%	46%	**83%**
% All Counties	**54%**	9%	54%	**17%**

NOTES: Expenditures are shown as positive, revenues as negative. All dollar values are thsouands of current dollars. Totals used to generate ratios in Table 1 are in bold face.

* For "All Activities," Total Spending column includes component units as well as primary government and business-type activities.

TABLE 3: NET EXPENDITURES, STATE OF HAWAI'I, FY 2014

Functions/Programs	Directly Related to Tourism	Indirectly Related to Tourism, but Essential Support to Line Agencies	Not Related to Tourism	Component Units
Governmental Activities				
General Government		$313,079		
Public Safety	$423,136			
Highways	$354,953			
Conservation of Natural Resources	$14,412			
Health		$593,900		
Welfare		$876,936		
Lower Education		$2,341,385		
Higher Education		$693,292		
Other Education		$21,766		
Culture and Recreation	$87,011			
Urban Redevelopment & Housing		$96,056		
Economic Development & Assistance	$79,286			
Interest Expense			$239,760	
Subtotal	*$958,798*	*$4,936,414*	*$239,760*	
Business-Type Activities				
Airports	-$122,046			
Harbors	-$31,711			
Unemployment Compensation			-$108,599	
Nonmajor Proprietary Funds			-$30,235	
Subtotal	*-$153,757*		*-$138,834*	
Component units				
University of Hawai'i				$783,344
Hawai'i Housing Finance and Development Corporaion				-$16,920
Hawai'i Public Housing Authority				$33,370
Hawai'i Health Systems Corporation				$111,276
Hawai'i Tourism Authority				$94,087
Hawai'i Community Development Authority				-$6,498
Hawai'i Hurricane Relief Fund				$5
Subtotal				*$998,664*
Primary Government Activities				$6,134,972
Business-Type Activities				-$292,591
Component units				$998,664
TOTAL (TOURISM ANALYSIS)	**$805,041**	$4,936,414	$100,926	
TOTAL NET EXPENDITURES				**$6,841,045**

TABLE 4: NET EXPENDITURES, CITY AND COUNTY OF HONOLULU, FY 2014

Functions/Programs	Directly Related to Tourism	Indirectly Related to Tourism, but Essential Support to Line Agencies	Not Related to Tourism	Component Units
Governmental Activities				
General Government		$280,220		
Public Safety	$357,331			
Highways and Streets	$38,768			
Sanitation	$3,724			
Human Services		$2,675		
Culture and Recreation	$75,281			
Utilities or Other Enterprises		-$3,992		
Interest			$85,774	
Subtotal	*$475,104*	*$278,903*	*$85,774*	
Business-Type Activities				
Housing		-$6,218		
Sewer	-$118,881			
Solid Waste	$63,949			
Public Transportation	$145,816			
Subtotal	*$90,884*	*-$6,218*	*$0*	
Component units				
Board of Water Supply				-$18,327
HART				-$88,476
Subtotal				*-$106,803*
Primary Governmental Activities				$839,781
Business-Type Activities				$84,666
Component Units				-$106,803
TOTAL (TOURISM ANALYSIS)	**$565,988**	$272,685	$85,774	
TOTAL NET EXPENDITURES				**$817,644**

Table 5: Net Expenditures, Maui County, FY 2014

Functions/Programs	Directly Related to Tourism	Indirectly Related to Tourism, but Essential Support to Line Agencies	Not Related to Tourism	Component Units
Governmental Activities				
General Government		$101,786		
Public Safety	$78,335			
Highway and Streets	$14,086			
Sanitation	$3,795			
Social Welfare		$21,555		
Culture and Recreation	$32,519			
Legislative			$5,995	
Interest on long-term debt			$7,982	
Total	*$128,735*	*$123,341*	*$13,977*	
Business-Type Activities				
Housing, Funds			-$814	
Municipal Golf Course	$1,260			
Total	*$1,260*	*$0*	*-$814*	
Component Unit *				
Department of Water Supply				-$2,913
Primary Government Activities				$266,053
Business-Type Activities				$447
Component Units				-$2,913
TOTAL (TOURISM ANALYSIS)	**$129,996**	$123,341	$13,163	
TOTAL NET EXPENDITURES				**$263,586**

NOTE: * The Maui County CAFR lists the Department of Water Supply as a Business-type activity. It is treated here as a Component Unit in line with the practice for other jurisdictions in Hawai'i.

TABLE 6: NET EXPENDITURES, HAWAI‘I COUNTY, FY 2014

Functions/Programs	Directly Related to Tourism	Indirectly Related to Tourism, but Essential Support to Line Agencies	Not Related to Tourism	Component Units
Governmental Activities				
General Government		$49,350		
Public Safety	$138,157			
Highway and Streets	-$25,298			
Health, Education, and Welfare		$9,549		
Culture and Recreation	$15,114			
Sanitation	$31,564			
Interest on long-term debt			$12,911	
Total	*$159,536*	*$58,898*	*$12,911*	
Business-Type Activities				
Health, Education, and Welfare		-$100		
Total	*$0*	*-$100*	*$0*	
Component Unit				
Water				-$4,304
Primary Government Activities				$231,346
Business-Type Activities				-$100
Component Units				-$4,304
TOTAL (TOURISM ANALYSIS)	**$159,536**	$58,798	$12,911	
TOTAL NET EXPENDITURES				**$226,941**

TABLE 7: NET EXPENDITURES, KAUA'I COUNTY, FY 2014

Functions/Programs	Directly Related to Tourism	Indirectly Related to Tourism, but Essential Support to Line Agencies	Not Related to Tourism	Component Units
Governmental Activities				
General Government		$21,711		
Public Safety	$51,428			
Public Works	$10,473			
Highways and Streets	$14,096			
Sanitation	$17,397			
Culture and Recreation	$12,480			
Public Welfare		$4,492		
Interest on long-term debt			$5,389	
Total	*$105,873*	*$26,204*	*$5,389*	
Business-Type Activities				
Housing Programs			$223	
Sewer	-$4,991			
Golf	$864			
Total	*-$4,128*	*$0*	*$223*	
Component Unit				
Water				-$3,226
Primary Government Activities				$137,465
Business-Type Activities				-$3,904
Component Units				-$3,226
TOTAL (TOURISM ANALYSIS)	**$101,745**	$26,204	$5,612	
TOTAL NET EXPENDITURES				**$130,335**

APPENDIX: REVISED MODELS FOR REVIEW AT OCTOBER 21, 2015 MEETING

STATE-COUNTY FUNCTIONS WORKING GROUP

MODELS IN THIS APPENDIX

			Indexing	
		TSF	**Floors**	**Land Fund**
A	Shares			
B1	Shares, with TSF Floor		x	
B2	Shares, with TSF Floor	x	x	
C1	Shares with TSF Indexed	x		
C2	Shares with TSF, Land Fund Indexed	x		x
D1	Three-Stage "Recommended": no Index			
D2	Three-State "Recommended": TSF and Floors Indexed	x	x	
D3	Three-Stage "Recommended": TSF only Index	x		
E1	Three-Stage Variant: TSF Indexed	x		
E2	Three-Stage Variant: no index			
E3	Three-Stage Variant: TSF and Floor Indexed	x	x	

All models are run for both a growth forecast and a recession forecast. Aggregate totals for a ten year period are shown for those rows which list revenues to be transferred to particular parties, rather than steps in the calculations.

At the last meeting, revenues dedicated to several exisiting appropriations (Convention Center, Turtle Bay, and the State Special Land Fund) were indexed to changes in the CPI. Per the Working Group's discussions, revenues for the Convention Center and Turtle Bay are held constant at their 2015 values for all models.

A **Simple Shares Model. Revenues divided into three shares:**

20% Tourism Special Fund

32% Counties

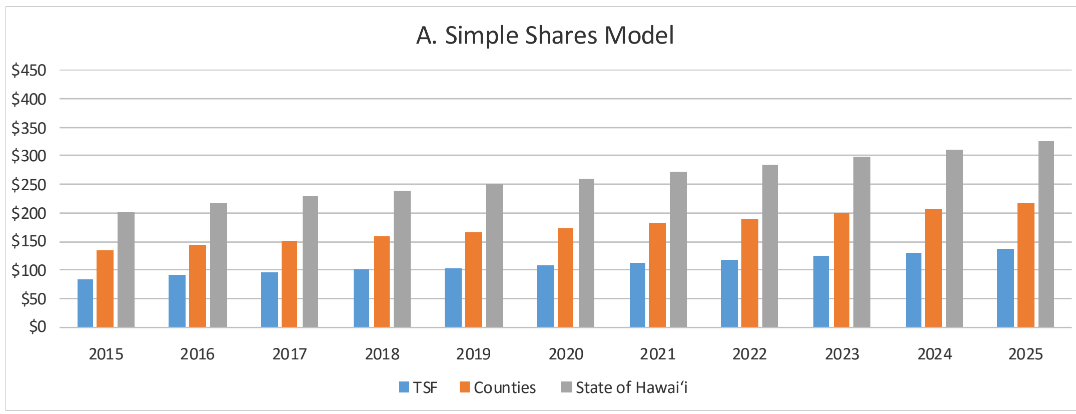
48% State of Hawai‘i

> All shares would grow or contract along with revenues. Any existing set-asides (including the Convention Center Special Fund) would come from the State share.

> This allocation divides allocations for the State and counties on a 60/40 basis (after TSF share).

A. Simple Shares Model. Revenues divided into three shares:

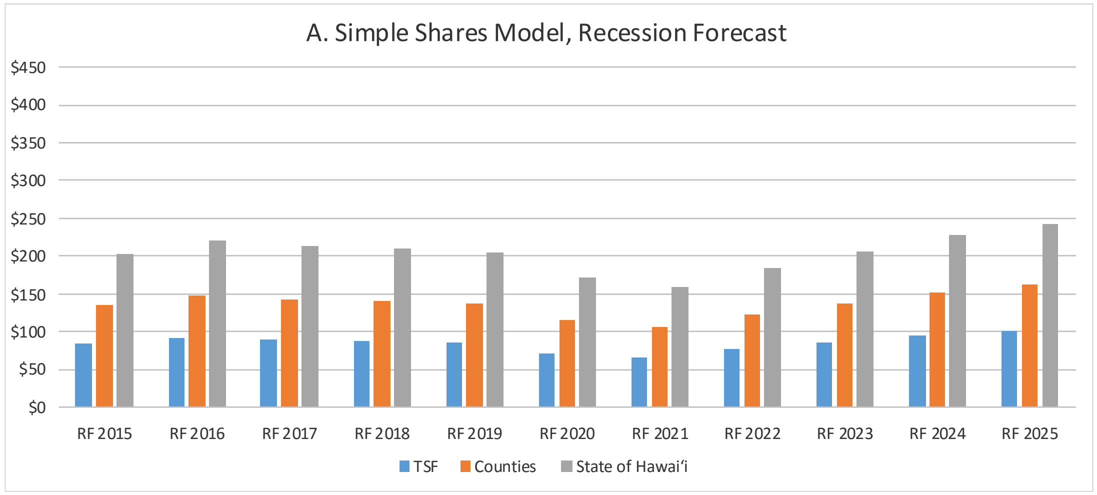
Hospitality Advisors (HA) FORECAST	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	AGGREGATE 2016-2025
Total (million)	$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
20% TSF	$84	$90	$95	$99	$104	$109	$114	$118	$125	$130	$136	$1,119
32% Counties	$135	$144	$152	$159	$166	$174	$182	$189	$199	$208	$217	$1,790
48% State of Hawai‘i	$202	$216	$228	$239	$250	$261	$273	$284	$299	$312	$326	$2,685



NOTE: Model A involves shares, not set amounts, so no indexing needs to be considered.

A. Simple Shares Model. Revenues divided into three shares:

RECESSION FORECAST	**RF 2015**	**RF 2016**	**RF 2017**	**RF 2018**	**RF 2019**	**RF 2020**	**RF 2021**	**RF 2022**	**RF 2023**	**RF 2024**	**RF 2025**	**AGGREGATE 2016-2025**
Total (million)	$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
20% TSF	$84	$92	$89	$88	$85	$72	$66	$76	$86	$95	$101	$849
32% Counties	$135	$147	$142	$140	$136	$115	$106	$122	$137	$152	$162	$1,359
48% State of Hawaiʻi	$202	$221	$213	$210	$204	$172	$158	$183	$206	$228	$243	$2,038

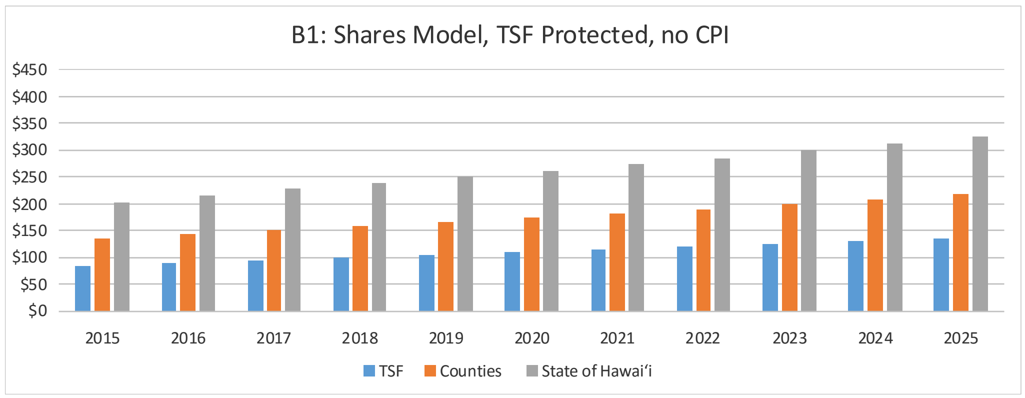


B Shares Model, with Tourism Special Fund Protected against Downturns

Tourism Special Fund, amount set by Legislature ($82 million for FY 2015) but changing with inflation (CPI) from year to year

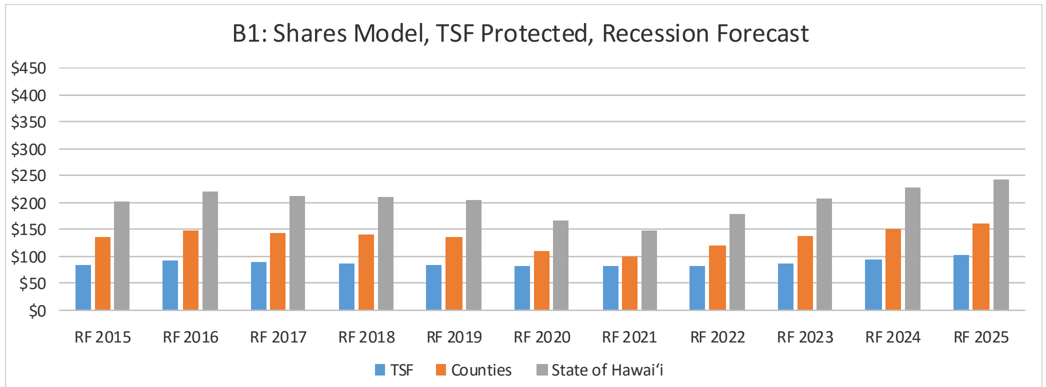
Remainder split by State and Counties on a 60/40 basis

B1	HA FORECAST, NO CPI	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	AGGREGATE 2016-2025
	Total (million)	$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
	20% TSF Share	$84	$90	$95	$99	$104	$109	$114	$118	$125	$130	$136	
	TSF Floor ($82)	$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	
	TSF Allocation	$84	$90	$95	$99	$104	$109	$114	$118	$125	$130	$136	$1,119
	Remainder (Total - TSF)	$337	$360	$379	$398	$416	$435	$454	$473	$498	$520	$543	
	Counties (40% of Remainder)	$135	$144	$152	$159	$166	$174	$182	$189	$199	$208	$217	$1,790
	State (60% of Remainder)	$202	$216	$228	$239	$250	$261	$273	$284	$299	$312	$326	$2,685

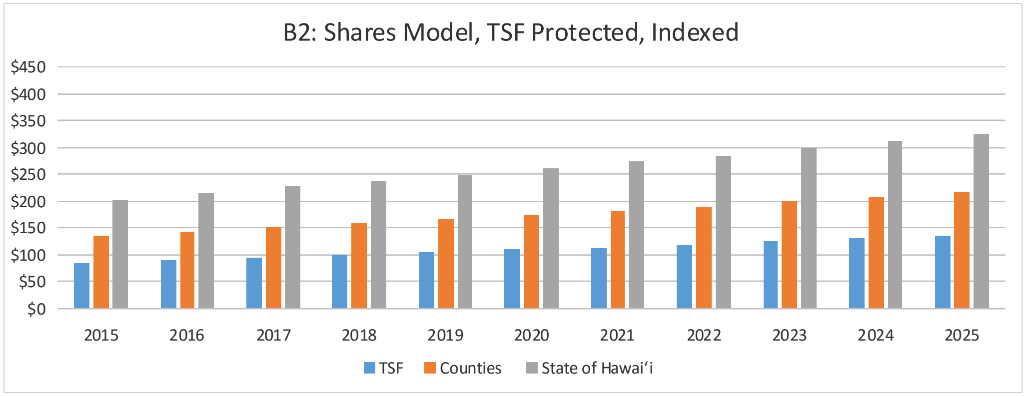


NOTE: For Model B,the Tourism Special Fund (TSF) is protected from reductions by a floor. Indexing may affect the floor (in model B2).

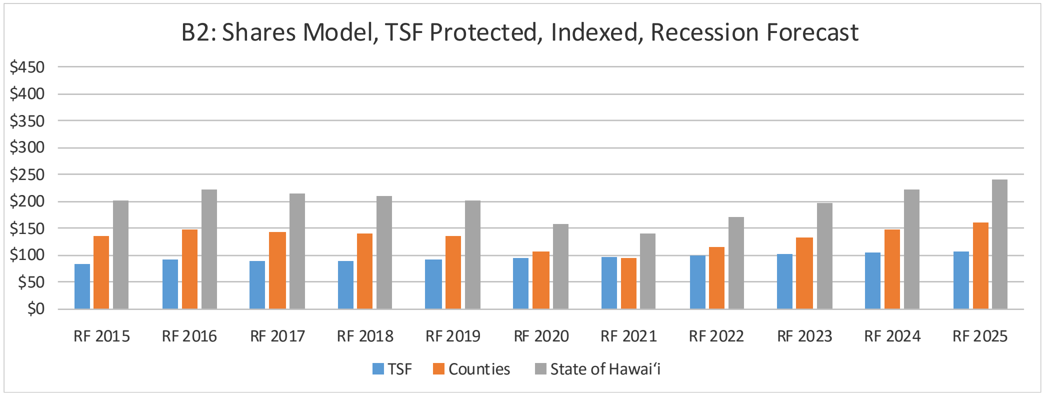
B1	RECESSION FORECAST, NO CPI	RF 2015	RF 2016	RF 2017	RF 2018	RF 2019	RF 2020	RF 2021	RF 2022	RF 2023	RF 2024	RF 2025	AGGREGATE 2016-2025
	Total (million)	$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
	20% TSF Share	$84	$92	$89	$88	$85	$72	$66	$76	$86	$95	$101	
	TSF Floor ($82)	$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	
	TSF Allocation	$84	$92	$89	$88	$85	$82	$82	$82	$86	$95	$101	$881
	Remainder (Total - TSF)	$337	$368	$356	$350	$340	$276	$248	$300	$343	$380	$405	
	Counties (40% of Remainder)	$135	$147	$142	$140	$136	$110	$99	$120	$137	$152	$162	$1,346
	State (60% of Remainder)	$202	$221	$213	$210	$204	$166	$149	$180	$206	$228	$243	$2,019



B2	HA FORECAST, CPI INCREASE	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	AGGREGATE 2016-2025
	Total (million)	$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
20%	TSF Share	$84	$90	$95	$99	$104	$109	$114	$118	$125	$130	$136	
	TSF Floor ($82 + CPI)	$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	
	TSF Allocation	$84	$90	$95	$99	$104	$109	$114	$118	$125	$130	$136	$1,119
	Remainder (Total - TSF)	$337	$360	$379	$398	$416	$435	$454	$473	$498	$520	$543	
	Counties (40% of Remainder)	$135	$144	$152	$159	$166	$174	$182	$189	$199	$208	$217	$1,790
	State (60% of Remainder)	$202	$216	$228	$239	$250	$261	$273	$284	$299	$312	$326	$2,685



B2	RECESSION FORECAST, WITH CPI	RF 2015	RF 2016	RF 2017	RF 2018	RF 2019	RF 2020	RF 2021	RF 2022	RF 2023	RF 2024	RF 2025	AGGREGATE 2016-2025
	Total (million)	$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
20%	TSF Share	$84	$92	$89	$88	$85	$72	$66	$76	$86	$95	$101	
	TSF Floor ($82 + CPI)	$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	
	TSF Allocation	$84	$92	$89	$88	$91	$93	$96	$98	$101	$104	$106	$958
	Remainder (Total - TSF)	$337	$368	$356	$349	$335	$265	$234	$284	$328	$371	$400	
	Counties (40% of Remainder)	$135	$147	$142	$140	$134	$106	$94	$113	$131	$148	$160	$1,316
	State (60% of Remainder)	$202	$221	$213	$210	$201	$159	$141	$170	$197	$223	$240	$1,973



C Shares Model, with Existing Special Funds Protected against Downturns

A. Guaranteed amount:

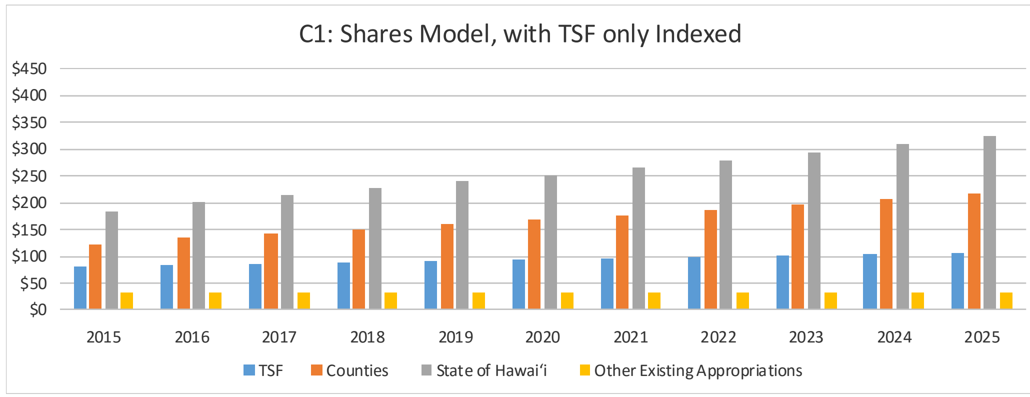
$82.0	TSF, starting at $82 million and changing with inflation
$26.5	Convention Center Enterprise Special Fund
$1.5	Turtle Bay Special Fund
$3.0	Special Land Development Fund (DLNR)
$113	million in FY 2015

B. Shares of remainder of TAT funds:

40%	Counties
60%	State of Hawai‘i

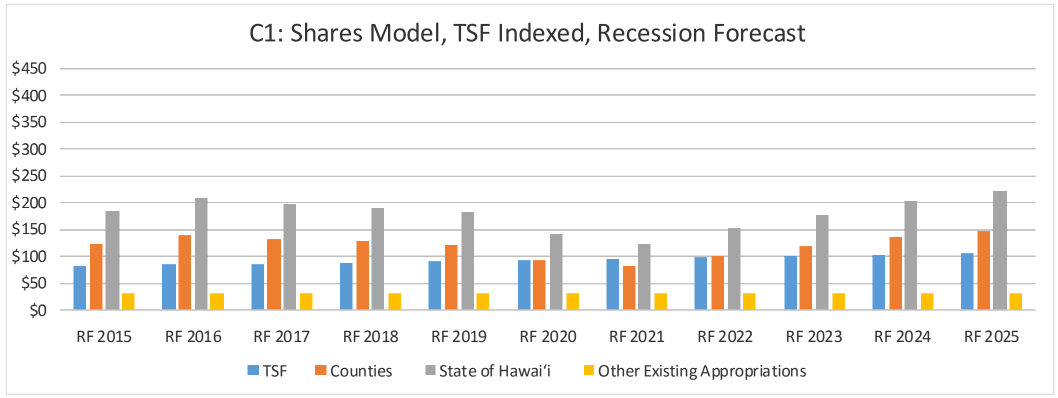
C. Shares Model, with Funds Increasing with Inflation

C1 TSF only Indexed FORECAST	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	AGGREGATE 2016-2025
Total (million)	$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
TSF (+ CPI)	$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
Other Existing Appropriations												
Turtle Bay	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
Convention Center	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
Special Land Fund	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$30
Remainder	$308	$335	$357	$378	$398	$419	$441	$463	$491	$515	$541	
Counties (40% of Remainder)	$123	$134	$143	$151	$159	$168	$177	$185	$196	$206	$216	$1,735
State (60% of Remainder)	$185	$201	$214	$227	$239	$252	$265	$278	$295	$309	$325	$2,603

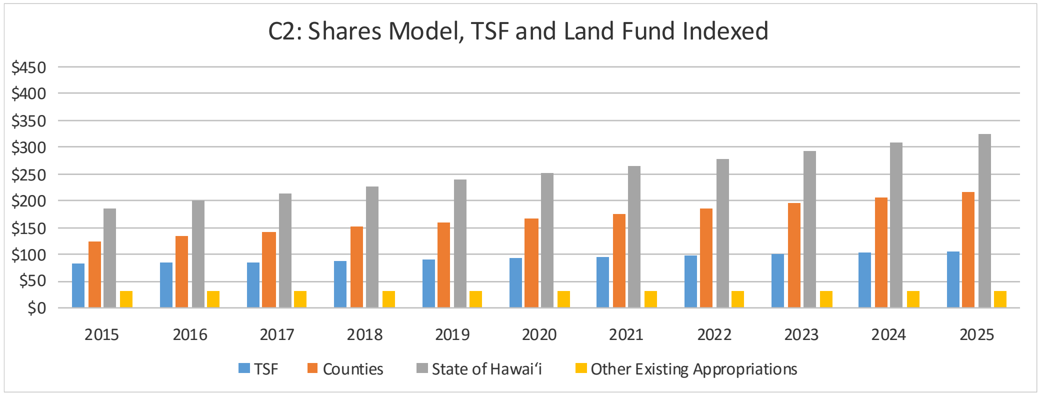


NOTE: This model involves separating out existing special funds (TSF and other Existing Appropriations), and then dividing the remaining TAT funds between the State and Counties using a 60/40 split. In model C1, the TSF only is indexed. In model C2, both the TSF and the Special Land Fund are indexed.

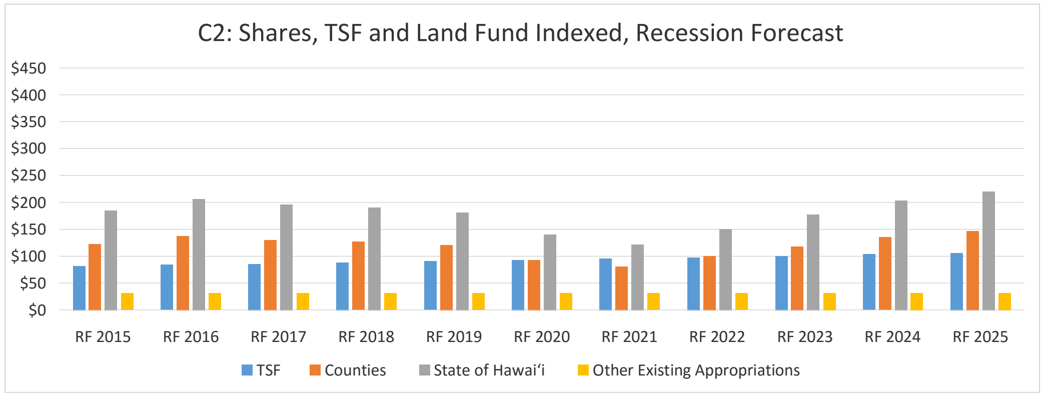
C1	TSF only Indexed												AGGREGATE
	RECESSION FORECAST	**RF 2015**	**RF 2016**	**RF 2017**	**RF 2018**	**RF 2019**	**RF 2020**	**RF 2021**	**RF 2022**	**RF 2023**	**RF 2024**	**RF 2025**	**2016-2025**
	Total (million)	$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
	TSF (+ CPI)	$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
	Other Existing Appropriations												
	Turtle Bay	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
	Convention Center	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
	Special Land Fund	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$30
	Remainder	$308	$345	$328	$318	$304	$234	$203	$253	$297	$340	$369	
	Counties (40% of Remainder)	$123	$138	$131	$127	$122	$94	$81	$101	$119	$136	$147	$1,196
	State (60% of Remainder)	$185	$207	$197	$191	$182	$140	$122	$152	$178	$204	$221	$1,794



C2	TSF and Land Fund indexed	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	AGGREGATE 2016-2025
	Total (million)	$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
	TSF (+ CPI)	$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
	Other Existing Appropriations												
	Turtle Bay	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
	Convention Center	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
	Special Land Fund (+ CPI)	$3.0	$3.1	$3.1	$3.2	$3.3	$3.4	$3.5	$3.6	$3.7	$3.8	$3.9	$35
	Remainder	$308	$335	$357	$378	$398	$419	$441	$462	$490	$514	$540	
	Counties (40% of Remainder)	$123	$134	$143	$151	$159	$168	$176	$185	$196	$206	$216	$1,733
	State (60% of Remainder)	$185	$201	$214	$227	$239	$251	$264	$277	$294	$308	$324	$2,600



C2	TSF and Land Fund indexed RECESSION FORECAST	RF 2015	RF 2016	RF 2017	RF 2018	RF 2019	RF 2020	RF 2021	RF 2022	RF 2023	RF 2024	RF 2025	AGGREGATE 2016-2025
	Total (million)	$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
	TSF (+ CPI)	$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
	Other Existing Appropriations												
	Turtle Bay	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
	Convention Center	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
	Special Land Fund (+ CPI)	$3.0	$3.1	$3.1	$3.2	$3.3	$3.4	$3.5	$3.6	$3.7	$3.8	$3.9	$35
	Remainder	$308	$345	$328	$318	$303	$233	$203	$252	$296	$339	$368	
	Counties (40% of Remainder)	$123	$138	$131	$127	$121	$93	$81	$101	$119	$136	$147	$1,194
	State (60% of Remainder)	$185	$207	$197	$191	$182	$140	$122	$151	$178	$204	$221	$1,791



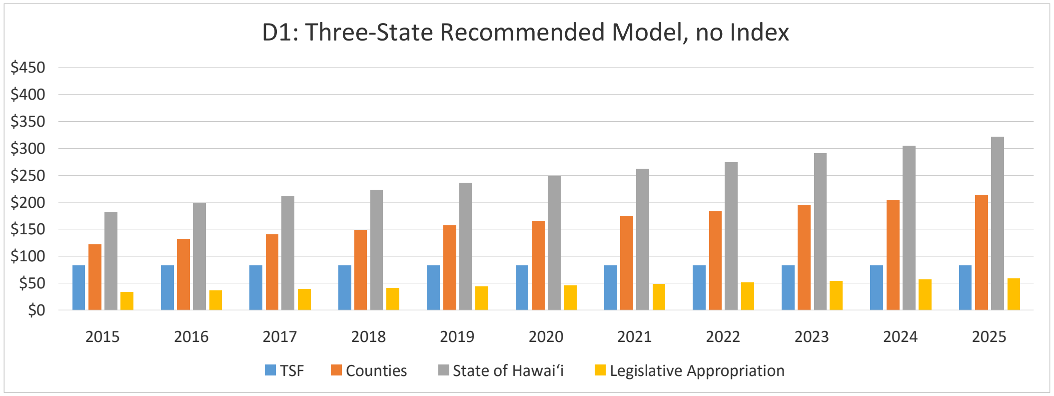
D **Three-stage Model "Recommended" by Allocation Models Investigative Group**

A. Guaranteed to TSF: $83 million plus growth with inflation

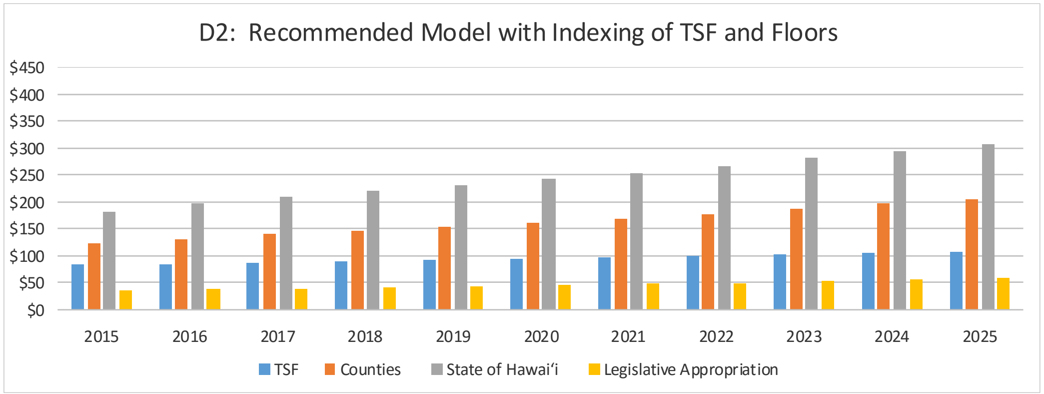
B. 90% of remainder: 60/40 State and Counties
Guaranteed for State and Counties, for existing expenditures:
$100 million each, guaranteed for State and Counties

C. 10% of remainder: Legislative discretion, with recommendation that funds spent on visitor-related expenses

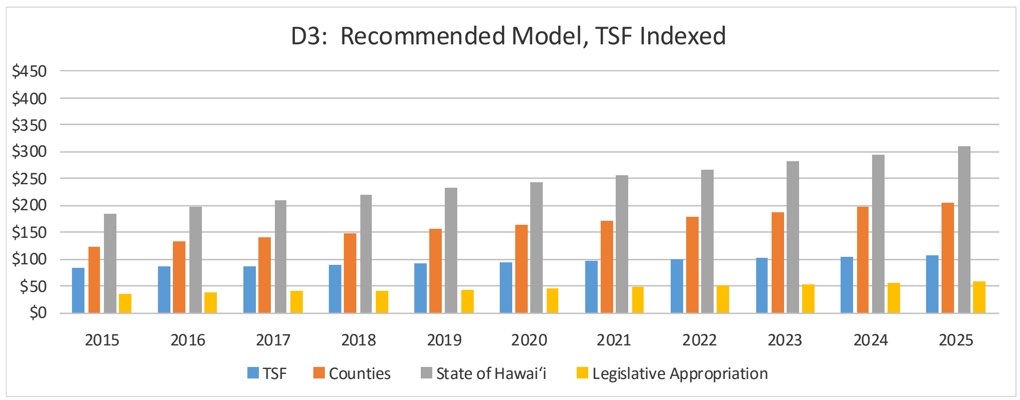
D1	Original Recommended Model: no indexing													AGGREGATE
	HA FORECAST		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2016-2025**
	Total		$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
	Stage 1													
	TSF		$83	$83	$83	$83	$83	$83	$83	$83	$83	$83	$83	$830
	Stage 2													
	90% of remainder		$304	$330	$352	$373	$393	$414	$436	$458	$486	$510	$536	
	Counties	40%	$122	$132	$141	$149	$157	$166	$175	$183	$194	$204	$214	
	State	60%	$183	$198	$211	$224	$236	$249	$262	$275	$291	$306	$321	
	"Floor" for counties or State		$100	$101	$102	$103	$104	$105	$106	$107	$108	$109	$110	
	Stage 2 Allocation (larger of share or floor)													
	Counties		$122	$132	$141	$149	$157	$166	$175	$183	$194	$204	$214	
	State		$183	$198	$211	$224	$236	$249	$262	$275	$291	$306	$321	
	Stage 3 Legislative Appropriation													
	Remaining after Stages 1, 2		$34	$37	$39	$41	$44	$46	$48	$51	$54	$57	$60	
	Appropriation		$34	$37	$39	$41	$44	$46	$48	$51	$54	$57	$60	$476
	Reduction, Stage 2		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	Adjusted Stage 2 County amount		$122	$132	$141	$149	$157	$166	$175	$183	$194	$204	$214	$1,715
	Adjusted Stage 2 State amount		$183	$198	$211	$224	$236	$249	$262	$275	$291	$306	$321	$2,573
	Total State (Stage 2 + Appropriation)		$216	$235	$250	$265	$280	$295	$310	$326	$345	$363	$381	*$3,049*



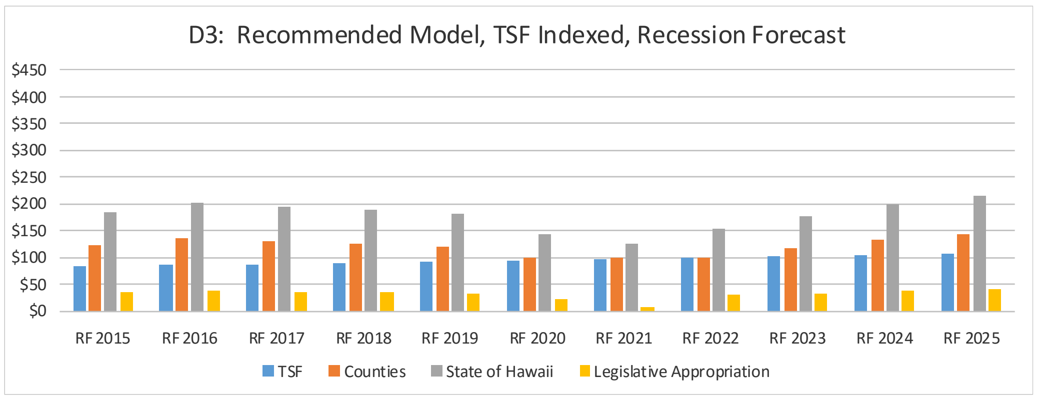
D2:	Recommended Model, with Indexing of TSF and floors													AGGREGATE
	HA FORECAST		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2016-2025**
	Total		$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
	Stage 1													
	TSF Indexed		$83	$85	$87	$89	$92	$94	$97	$99	$102	$105	$108	$958
	Stage 2													
	90% of remainder		$304	$328	$348	$367	$385	$404	$424	$443	$469	$490	$514	
	Counties	40%	$122	$131	$139	$147	$154	$162	$170	$177	$187	$196	$205	
	State	60%	$183	$197	$209	$220	$231	$243	$254	$266	$281	$294	$308	
	"Floor" for counties or State		$100	$103	$107	$111	$115	$119	$124	$128	$133	$138	$143	
	Stage 2 Allocation (larger of share or floor)													
	Counties		$122	$131	$139	$147	$154	$162	$170	$177	$187	$196	$205	
	State		$183	$197	$209	$220	$231	$243	$254	$266	$281	$294	$308	
	Stage 3 Legislative Appropriation													
	Remaining after Stages 1, 2		$34	$36	$39	$41	$43	$45	$47	$49	$52	$54	$57	
	Appropriation		$34	$36	$39	$41	$43	$45	$47	$49	$52	$54	$57	$464
	Reduction, Stage 2		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	Adjusted Stage 2 County amount		$122	$131	$139	$147	$154	$162	$170	$177	$187	$196	$205	$1,669
	Adjusted Stage 2 State amount		$183	$197	$209	$220	$231	$243	$254	$266	$281	$294	$308	$2,503
	Total State (Stage 2 + Appropriation)		$216	$233	$248	$261	$274	$287	$302	$315	$333	$349	$365	*$2,967*



D3	Recommended Model, with Indexing of TSF only													AGGREGATE
	HA FORECAST		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
	Total		$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
	Stage 1													
	TSF Indexed		$83	$85	$87	$89	$92	$94	$97	$99	$102	$105	$108	$958
	Stage 2													
	90% of remainder		$304	$328	$348	$367	$385	$404	$424	$443	$469	$490	$514	
	Counties	40%	$122	$131	$139	$147	$154	$162	$170	$177	$187	$196	$205	
	State	60%	$183	$197	$209	$220	$231	$243	$254	$266	$281	$294	$308	
	"Floor" for counties or State		$100	$103	$107	$111	$115	$119	$124	$128	$133	$138	$143	
	Stage 2 Allocation (larger of share or floor)													
	Counties		$122	$131	$139	$147	$154	$162	$170	$177	$187	$196	$205	
	State		$183	$197	$209	$220	$231	$243	$254	$266	$281	$294	$308	
	Stage 3 Legislative Appropriation													
	Remaining after Stages 1, 2		$34	$36	$39	$41	$43	$45	$47	$49	$52	$54	$57	
	Appropriation		$34	$36	$39	$41	$43	$45	$47	$49	$52	$54	$57	$464
	Reduction, Stage 2		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	Adjusted Stage 2 County amount		$122	$131	$139	$147	$154	$162	$170	$177	$187	$196	$205	$1,669
	Adjusted Stage 2 State amount		$183	$197	$209	$220	$231	$243	$254	$266	$281	$294	$308	$2,503
	Total State (Stage 2 + Appropriation)		$216	$233	$248	$261	$274	$287	$302	$315	$333	$349	$365	*$2,967*



D3	Recommended Model, with Indexing of TSF only													AGGREGATE
	RECESSION FORECAST		**RF 2015**	**RF 2016**	**RF 2017**	**RF 2018**	**RF 2019**	**RF 2020**	**RF 2021**	**RF 2022**	**RF 2023**	**RF 2024**	**RF 2025**	**2016-2025**
	Total		$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
	Stage 1													
	TSF Indexed		$83	$85	$87	$89	$92	$94	$97	$99	$102	$105	$108	$958
	Stage 2													
	90% of remainder		$304	$337	$322	$313	$300	$237	$210	$254	$294	$333	$359	
	Counties	40%	$122	$135	$129	$125	$120	$95	$84	$102	$118	$133	$143	
	State	60%	$183	$202	$193	$188	$180	$142	$126	$153	$176	$200	$215	
	"Floor" for counties or State		$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
	Stage 2 Allocation (larger of share or floor)													
	Counties		$122	$135	$129	$125	$120	$100	$100	$100	$118	$133	$143	
	State		$183	$202	$193	$188	$180	$142	$126	$153	$176	$200	$215	
	Stage 3 Legislative Appropriation													
	Remaining after Stages 1, 2		$34	$37	$36	$35	$33	$21	$7	$30	$33	$37	$40	
	Appropriation		$34	$37	$36	$35	$33	$21	$7	$30	$33	$37	$40	$309
	Reduction, Stage 2		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	Adjusted Stage 2 County amount		$122	$135	$129	$125	$120	$100	$100	$100	$118	$133	$143	$1,203
	Adjusted Stage 2 State amount		$183	$202	$193	$188	$180	$142	$126	$153	$176	$200	$215	$1,776
	Total State (Stage 2 + Appropriation)		$216	$240	$229	$223	$214	$164	$133	$182	$209	$237	$255	*$2,085*



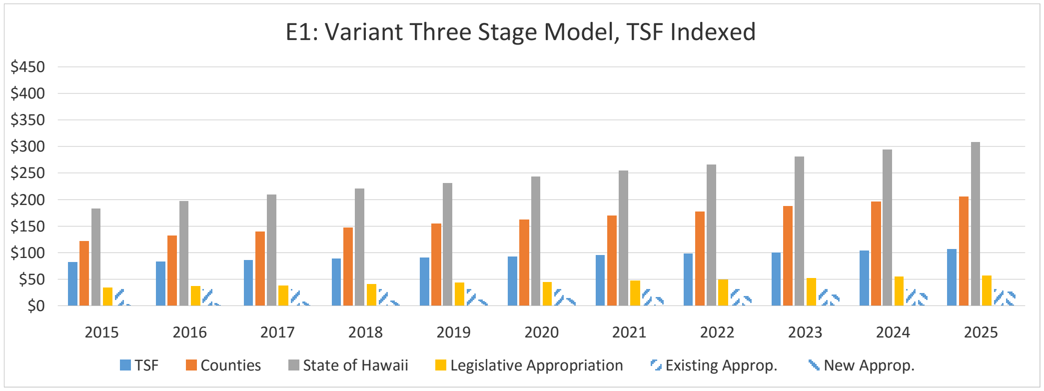
E Variant of Three-Stage "Recommended" Model

A. Guaranteed to TSF: $83 million plus growth with inflation

B. 90% of remainder: 60/40 State and Counties
Guaranteed for State and Counties, for existing expenditures:
$100 million each, guaranteed for State and Counties

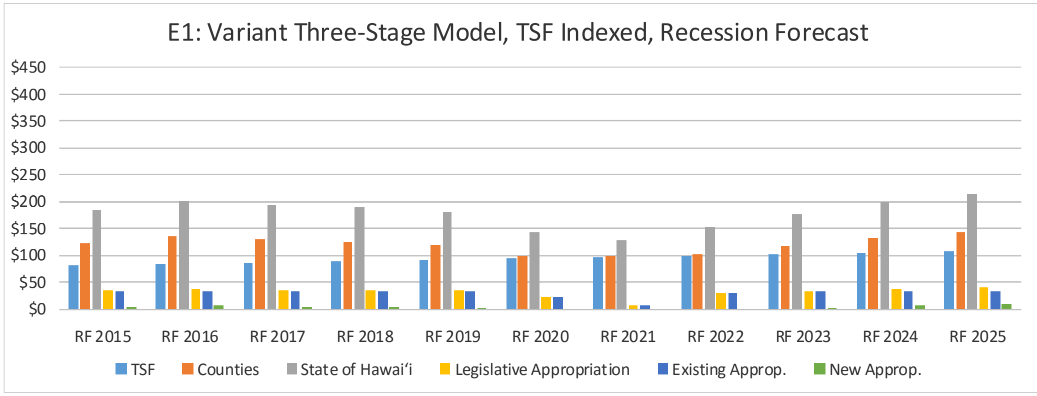
C. 10% of remainder to State, to include set-asides for Turtle Bay, Convention Center, Special Land Development Fund, remainder for legislative appropriations as of 2015 or later. If the 10% is not enough to cover the set-asides, the State and counties would cover these from their Stage 2 moneys.

E1	Variant Model, with TSF only indexed													AGGREGATE
	FORECAST		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2016-2025**
	Total		$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
	Stage 1													
	TSF Indexed		$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
	Stage 2													
	90% of remainder		$305	$329	$349	$368	$386	$405	$425	$444	$470	$491	$515	
	Counties	40%	$122	$132	$140	$147	$155	$162	$170	$178	$188	$197	$206	
	State	60%	$183	$197	$210	$221	$232	$243	$255	$267	$282	$295	$309	
	"Floor" for counties or State		$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
	Stage 2 Allocation (larger of share or floor)													
	Counties		$122	$132	$140	$147	$155	$162	$170	$178	$188	$197	$206	
	State		$183	$197	$210	$221	$232	$243	$255	$267	$282	$295	$309	
	Stage 3 Legislative Appropriation													
	Remaining after Stages 1, 2		$34	$37	$39	$41	$43	$45	$47	$49	$52	$55	$57	
	Existing Appropriations -- Anticipated													
	Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	
	Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	
	Special Land Fund		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	
	Total Anticipated Appropriations		$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	
	Existing Appropriations: Anticipated or, if Remaining after Stages 1,2 smaller, share of Remaining													
	Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
	Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
	Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$30
	New Appropriations		$3	$6	$8	$10	$12	$14	$16	$18	$21	$24	$26	$155
	Total State (Stage 2 + Appropriations)		$217	$234	$248	$262	$275	$288	$302	$316	$334	$349	$366	*$2,974*



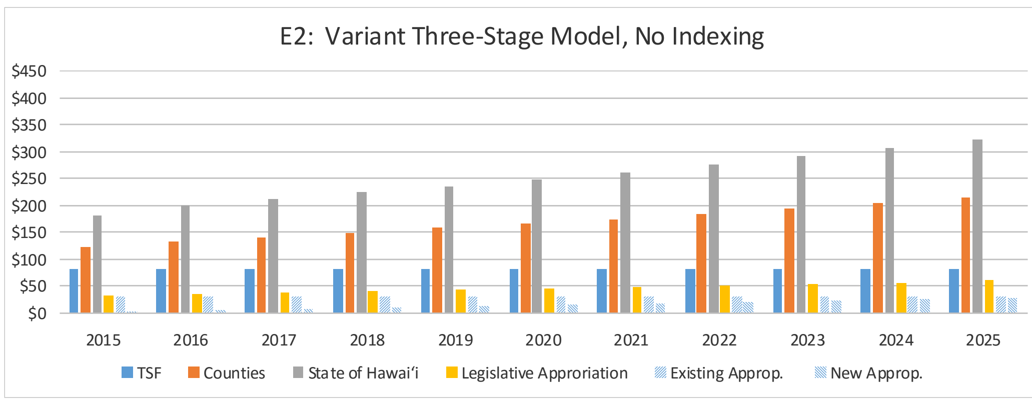
NOTE: In this model, the exisitng appropriations are treated as part of the "Legislative Appropriations" share (10% of funds remaining after Stage 1 allocation of TSF).
The Existing Appropriations and New Appropriations columns are included within the Legislative Appropriation total.

E1	Variant Model, with TSF only indexed													AGGREGATE
	RECESSION FORECAST		**RF 2015**	**RF 2016**	**RF 2017**	**RF 2018**	**RF 2019**	**RF 2020**	**RF 2021**	**RF 2022**	**RF 2023**	**RF 2024**	**RF 2025**	**2016-2025**
	Total		$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
	Stage 1													
	TSF Indexed		$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
	Stage 2													
	90% of remainder		$305	$338	$323	$314	$301	$238	$211	$255	$295	$334	$360	
	Counties	40%	$122	$135	$129	$126	$121	$95	$84	$102	$118	$134	$144	
	State	60%	$183	$203	$194	$189	$181	$143	$127	$153	$177	$200	$216	
	"Floor" for counties or State		$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
	Stage 2 Allocation (larger of share or floor)													
	Counties		$122	$135	$129	$126	$121	$100	$100	$102	$118	$134	$144	$1,208
	State		$183	$203	$194	$189	$181	$143	$127	$153	$177	$200	$216	$1,782
	Stage 3 Legislative Appropriation													
	Remaining after Stages 1, 2		$34	$38	$36	$35	$33	$22	$8	$28	$33	$37	$40	
	Existing Appropriations -- Anticipated													
	Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	
	Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	
	Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	
	Total Anticipated Appropriations		$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	
	Existing Appropriations: Anticipated or, if Remaining after Stages 1,2 smaller, share of Remaining													
	Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.1	$0.4	$1.4	$1.5	$1.5	$1.5	$13
	Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$18.7	$6.7	$24.2	$26.5	$26.5	$26.5	$235
	Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$2.1	$0.8	$2.7	$3.0	$3.0	$3.0	$27
	New Appropriations		$3	$7	$5	$4	$2	$0	$0	$0	$2	$6	$9	$35
	Total State (Stage 2 + Appropriations)		$217	$240	$230	$224	$214	$165	$134	$182	$210	$237	$256	*$2,092*



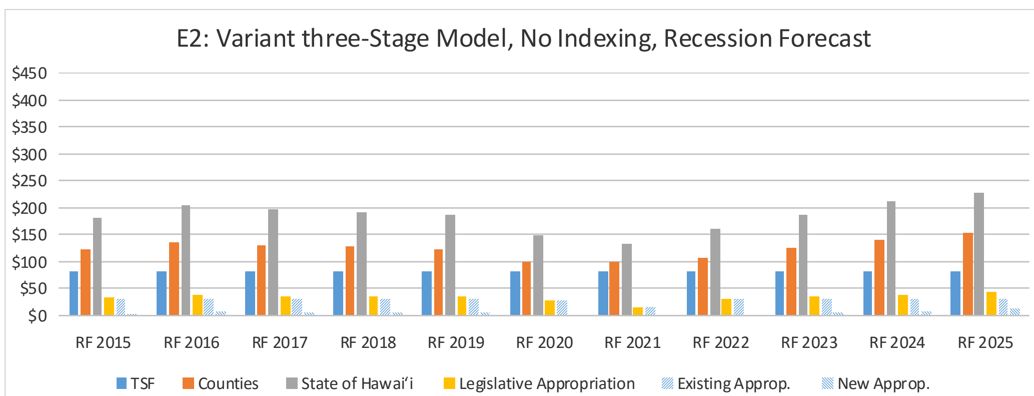
E2: Variant Model, with no items indexed													AGGREGATE
FORECAST		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2016-2025**
Total		$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
Stage 1													
TSF		$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	$820
Stage 2													
90% of remainder		$305	$331	$353	$374	$394	$415	$437	$459	$487	$511	$537	
Counties	40%	$122	$132	$141	$149	$158	$166	$175	$184	$195	$204	$215	
State	60%	$183	$198	$212	$224	$236	$249	$262	$275	$292	$306	$322	
"Floor" for counties or State		$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
Stage 2 Allocation (larger of share or floor)													
Counties		$122	$132	$141	$149	$158	$166	$175	$184	$195	$204	$215	$1,719
State		$183	$198	$212	$224	$236	$249	$262	$275	$292	$306	$322	$2,578
Stage 3 Legislative Appropriation													
Remaining after Stages 1, 2		$34	$37	$39	$42	$44	$46	$49	$51	$54	$57	$60	
Existing Appropriations -- Anticipated													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	
Total Anticipated Appropriations		$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	
Existing Appropriations: Anticipated or, if Remaining after Stages 1,2 smaller, share of Remaining													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$30
New Appropriations		$3	$6	$8	$11	$13	$15	$18	$20	$23	$26	$29	$167
Total State (Stage 2 + Appropriations)		$217	$235	$251	$266	$280	$295	$311	$326	$346	$363	$382	*$3,056*

NOTE: If total > $282. no reduction needed to Stage 2 allocations.

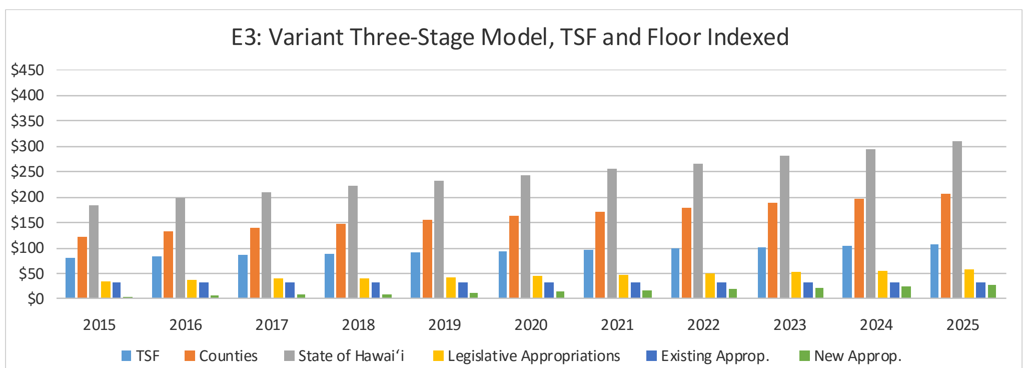


E2: Variant Model, with no items indexed RECESSION FORECAST		RF 2015	RF 2016	RF 2017	RF 2018	RF 2019	RF 2020	RF 2021	RF 2022	RF 2023	RF 2024	RF 2025	AGGREGATE 2016-2025
Total		$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	$4,247
Stage 1													
TSF		$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	$82	$820
Stage 2													
90% of remainder		$305	$340	$326	$320	$309	$248	$223	$270	$312	$353	$382	
Counties	40%	$122	$136	$131	$128	$124	$99	$89	$108	$125	$141	$153	
State	60%	$183	$204	$196	$192	$185	$149	$134	$162	$187	$212	$229	
"Floor" for counties or State		$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
Stage 2 Allocation (larger of share or floor)													
Counties		$122	$136	$131	$128	$124	$100	$100	$108	$125	$141	$153	$1,245
State		$183	$204	$196	$192	$185	$149	$134	$162	$187	$212	$229	$1,850
Stage 3 Legislative Appropriation													
Remaining after Stages 1, 2		$34	$38	$36	$36	$34	$27	$14	$30	$35	$39	$42	
Existing Appropriations -- Anticipated													
Turtle Bay		$1.5	$2	$2	$2	$2	$2	$2	$2	$2	$2	$2	
Convention Center		$26.5	$27	$27	$27	$27	$27	$27	$27	$27	$27	$27	
Special Land Fund (+ CPI)		$3.0	$3	$3	$3	$3	$3	$3	$3	$3	$3	$3	
Total Anticipated Appropriations		$31.0	$31	$31	$31	$31	$31	$31	$31	$31	$31	$31	
Existing Appropriations: Anticipated or, if Remaining after Stages 1,2 smaller, share of Remaining													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.3	$0.7	$1.5	$1.5	$1.5	$1.5	$14
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$23.1	$12.0	$25.6	$26.5	$26.5	$26.5	$246
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$2.6	$1.4	$2.9	$3.0	$3.0	$3.0	$28
New Appropriations		$3	$7	$5	$5	$3	$0	$0	$0	$4	$8	$11	$43
Total State (Stage 2 + Appropriations)		$217	$242	$232	$228	$220	$176	$148	$192	$222	$251	$271	*$2,182*

NOTE: If total TAT revenue= or > $282. no reduction needed to Stage 2 allocations.



E3: Variant Model, TSF, Floor Indexed (not Existing Appropriations)													AGGREGATE
FORECAST		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2016-2025**
Total		$421	$450	$474	$497	$520	$543	$568	$592	$623	$649	$678	**$5,594**
Stage 1													
TSF Indexed		$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
Stage 2													
90% of remainder		$305	$329	$349	$368	$386	$405	$425	$444	$470	$491	$515	
Counties	40%	$122	$132	$140	$147	$155	$162	$170	$178	$188	$197	$206	
State	60%	$183	$197	$210	$221	$232	$243	$255	$267	$282	$295	$309	
"Floor" for counties or State - Indexed		$100	$102	$105	$108	$111	$114	$117	$120	$123	$126	$130	
Stage 2 Allocation (larger of share or floor)													
Counties		$122	$132	$140	$147	$155	$162	$170	$178	$188	$197	$206	
State		$183	$197	$210	$221	$232	$243	$255	$267	$282	$295	$309	
Stage 3 Legislative Appropriation													
Remaining after Stages 1, 2		$34	$37	$39	$41	$43	$45	$47	$49	$52	$55	$57	
Existing Appropriations -- Anticipated													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	
Total Anticipated Appropriations		$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	
Existing Appropriations: Anticipated or, if Remaining after Stages 1,2 smaller, share of Remaining													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$15
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$265
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$30
Remainder of Stage 3		$3	$6	$8	$10	$12	$14	$16	$18	$21	$24	$26	$155
New Appropriations		$3	$6	$8	$10	$12	$14	$16	$18	$21	$24	$26	
Reductions of Stage 2		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Adjusted Stage 2 County amount		$122	$132	$140	$147	$155	$162	$170	$178	$188	$197	$206	$1,673
Adjusted Stage 2 State amount		$183	$197	$210	$221	$232	$243	$255	$267	$282	$295	$309	$2,510
Total State (Stage 2 + Appropriation)		$217	$234	$248	$262	$275	$288	$302	$316	$334	$349	$366	*$2,974*



E3: Variant Model, TSF, Floor indexed (not Existing Appropriations)

RECESSION FORECAST		RF 2015	RF 2016	RF 2017	RF 2018	RF 2019	RF 2020	RF 2021	RF 2022	RF 2023	RF 2024	RF 2025	AGGREGATE 2016-2025
Total		$421	$460	$445	$438	$425	$358	$330	$382	$429	$475	$506	**$4,247**
Stage 1													
TSF Indexed		$82	$84	$86	$88	$91	$93	$96	$98	$101	$104	$106	$947
Stage 2													
90% of remainder		$305	$338	$323	$314	$301	$238	$211	$255	$295	$334	$360	
Counties	40%	$122	$135	$129	$126	$121	$95	$84	$102	$118	$134	$144	
State	60%	$183	$203	$194	$189	$181	$143	$127	$153	$177	$200	$216	
"Floor" for counties or State - Indexed		$100	$102	$105	$108	$111	$114	$117	$120	$123	$126	$130	
Stage 2 Allocation (larger of share or floor)													
Counties		$122	$135	$129	$126	$121	$114	$117	$102	$118	$134	$144	
State		$183	$203	$194	$189	$181	$143	$127	$153	$177	$200	$216	
Stage 3 Legislative Appropriation													
Remaining after Stages 1, 2		$34	$38	$36	$35	$33	$8	-$9	$28	$33	$37	$40	
Existing Appropriations -- Anticipated													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	$1.5	
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	$26.5	
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	$3.0	
Total Anticipated Appropriations		$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	$31.0	
Existing Appropriations: Anticipated or, if Remaining after Stages 1,2 smaller, share of Remaining													
Turtle Bay		$1.5	$1.5	$1.5	$1.5	$1.5	$0.4	$0.0	$1.4	$1.5	$1.5	$1.5	$12
Convention Center		$26.5	$26.5	$26.5	$26.5	$26.5	$7.1	$0.0	$24.2	$26.5	$26.5	$26.5	$217
Special Land Fund (+ CPI)		$3.0	$3.0	$3.0	$3.0	$3.0	$0.8	$0.0	$2.7	$3.0	$3.0	$3.0	$25
Remainder of Stage 3		$3	$7	$5	$4	$2	$0	-$9	$0	$2	$6	$9	
New Appropriations		$3	$7	$5	$4	$2	$0	$0	$0	$2	$6	$9	$35
Reductions of Stage 2		$0	$0	$0	$0	$0	$0	-$9	$0	$0	$0	$0	
Adjusted Stage 2 County amount		$122	$135	$129	$126	$121	$114	$113	$102	$118	$134	$144	$1,235
Adjusted Stage 2 State amount		$183	$203	$194	$189	$181	$143	$121	$153	$177	$200	$216	$1,777
Total State (Stage 2 + Appropriation)		$217	$240	$230	$224	$214	$151	$121	$182	$210	$237	$256	*$2,065*

Note: Because "floor" for State and counties varies with inflation, funds remaining after initial Stage 2 calculation may be negative. In that case, no money goes to Stage 3 and the shortfall is deducted from State 2 moneys for the State and counties (in 60/40 proportion).