

State-County Functions Working Group (Transient Accommodations Tax)

TAT Measures **dead/alive**

**Dead**

HB 197	Relating to the Transient Accommodations Tax
HB 373	Relating to the Transient Accommodations Tax
HB 379	Relating to Financing for a New Hospital in North Kona
HB 403	Relating to the Transient Accommodations Tax
HB 833	Relating to the Transient Accommodations Tax
HB 954	Relating to the Transient Accommodations Tax
HB 1257	Relating to the Transient Accommodations Tax
HB 1448	Relating to the Transient Accommodations Tax
SB 408	Relating to the Transient Accommodations Tax
SB 534	Relating to the Transient Accommodations Tax
SB 617	Relating to Beach Protection
SB 1173	Relating to the Acquisition of Scenic Lands at Kapua in Miloli'i on the Island of Hawai'i
SB 1356	Relating to the Transient Accommodations Tax

**Alive**

HB 169	Relating to Taxation
HB 444	Relating to Beach Protection
HB 716	Relating to Innovative Business Interactions
HB 1214	Relating to the State-County Functions Working Group
SB 284	Relating to the Transient Accommodations Tax

## State-County Functions Working Group (Transient Accommodations Tax) Testimonies for SCFWG

Date	Bill No.	Bill Title	Senate/House Committee
2/4/2015	HB 1257	Relating to the Transient Accommodations Tax	House Committee on Tourism
2/4/2015	HB 1448	Relating to the Transient Accommodations Tax	House Committee on Tourism
2/6/2015	HB 954	Relating to the Transient Accommodations Tax	House Committee on Water and Land
2/11/2015	HB 1214	Relating to the State-County Functions Working Group	House Committee on Legislative Management
2/11/2015	SB 1173	Relating to the Acquisition of Scenic Lands at Kapua in Miloli'i on the Island of Hawai'i	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 1356	Relating to the Transient Accommodations Tax	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 284	Relating to the Transient Accommodations Tax	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 617	Relating to Beach Protection	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 534	Relating to Transient Accommodations Tax	Senate Committees on Tourism and International Affairs, Water and Land, Public Safety, Intergovernmental and Military Affairs
2/18/2015	HB 197	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 373	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 833	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 403	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 444, HD1	Relating to Beach Protection	House Committee on Tourism
2/18/2015	HB 379, HD1	Relating to Financing for a New Hospital in North Kona	House Committee on Tourism
2/19/2015	SB 408	Relating to the Transient Accommodations Tax	Senate Committees on Tourism and International Affairs, Public Safety, Intergovernmental and Military Affairs
2/25/2015	HB 1214	Relating to the State-County Functions Working Group	House Committee on Finance
2/26/2015	HB 169, HD1	Relating to Taxation	House Committee on Finance
2/26/2015	SB 284, SD1	Relating to the Transient Accommodations Tax	Senate Committee on Ways and Means
2/26/2015	HB 197, HD1	Relating to the Transient Accommodations Tax	House Committee on Finance
2/26/2015	HB 444, HD2	Relating to Beach Protection	House Committee on Finance
3/3/2015	SB 284, Proposed	Relating to the Transient Accommodations Tax	Senate Committee on Ways and Means
3/4/2015	SD2		
3/4/2015	HB 716, HD1	Relating to Innovative Business Interactions	House Committee on Finance

3/18/2015	SB 284, SD2	Relating to the Transient Accommodations Tax	House Committee on Tourism
3/23/2015	HB 444, HD3	Relating to Beach Protection	Senate Committees on Tourism and International Affairs and Water and Land
3/24/2015	HB 1214, HD1	Relating to the State-County Functions Working Group	Senate Committee on Public Safety, Intergovernmental and Military Affairs
3/25/2015	SB 284, SD2	Relating to the Transient Accommodations Tax	House Committee on Water & Land
3/31/2015	HB 444, HD3, SD1	Relating to Beach Protection	Senate Committee on Ways and Means
3/31/2015	HB 716, HD2, SD1	Relating to Innovative Business Interactions	Senate Committee on Ways and Means
4/7/2015	HB 1214, HD1	Relating to the State-County Functions Working Group	Senate Committee on Ways and Means
4/8/2015	SB 284, SD2, HD1	Relating to the Transient Accommodations Tax	House Committee on Finance

KAUAI COUNTY					MAUI COUNTY					HAWAII COUNTY					CITY & COUNTY OF HONOLULU				
General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%						
Council Services and County Clerk	\$	2,797,695	No	\$	5,614,713	No	\$	-	\$	-	\$	-	\$						
Elections	\$	543,763	No	\$	-		\$	-	\$	-	\$	-	\$						
Office of the County Auditor	\$	776,453	No	\$	372,557	No	\$	-	\$	-	\$	-	\$						
Office of the Mayor:	\$	-					\$	-	\$	-	\$	-	\$						
Administration	\$	1,670,479	No	\$	1,944,805	Low	\$	122,912	\$	-	\$	-	\$						
Economic Development	\$	-		\$	954,110	High	\$	241,199	\$	-	\$	-	\$						
Molokai Economic Development & Cultu	\$	-		\$	93,951	Mod	\$	11,875	\$	-	\$	-	\$						
Agriculture Promotion	\$	-		\$	121,475	No	\$	-	\$	-	\$	-	\$						
Aquaculture & Marine Resources	\$	-		\$	26,098	Low	\$	1,649	\$	-	\$	-	\$						
Film Industry Promotions	\$	-		\$	75,342	Mod	\$	9,523	\$	-	\$	-	\$						
Maui County Farm Bureau	\$	-		\$	270,515	No	\$	-	\$	-	\$	-	\$						
Maui Economic Development Board	\$	-		\$	422,665	No	\$	-	\$	-	\$	-	\$						
Maui Visitors Bureau	\$	-		\$	3,577,230	All	\$	3,577,230	\$	-	\$	-	\$						
Small Business & High Tech Promo	\$	-		\$	80,323	No	\$	-	\$	-	\$	-	\$						
Maui Arts & Cultural Center	\$	-		\$	339,000	High	\$	85,699	\$	-	\$	-	\$						
Business Research Library	\$	-		\$	69,811	No	\$	-	\$	-	\$	-	\$						
Environmental Protection	\$	-		\$	925,942	High	\$	234,078	\$	-	\$	-	\$						
East Maui Econ Development & Cultural	\$	-		\$	47,223	Low	\$	2,984	\$	-	\$	-	\$						
UH Tropical Agricultural & Human Resou	\$	-		\$	11,247	Low	\$	711	\$	-	\$	-	\$						
MEO Bus Development CP Microenterpri	\$	-		\$	236,223	No	\$	-	\$	-	\$	-	\$						
Maui Nui Botanical Gardens	\$	-		\$	113,017	High	\$	28,571	\$	-	\$	-	\$						
Grant - Maui Comm Theater - Iao Imprc	\$	-		\$	73,359	Low	\$	4,636	\$	-	\$	-	\$						
Maui Soil & Water Conservation	\$	-		\$	72,100	No	\$	-	\$	-	\$	-	\$						
Soil & Water Conservation - Molokai	\$	-		\$	18,863	No	\$	-	\$	-	\$	-	\$						
Culture & Arts Program	\$	-		\$	41,104	High	\$	10,391	\$	-	\$	-	\$						
Molokai Livestock Cooperative	\$	-		\$	3,280	No	\$	-	\$	-	\$	-	\$						
MCC Nursing & Dental Assistant Prograr	\$	-		\$	208,074	No	\$	-	\$	-	\$	-	\$						
Ka Ipu Kukui Fellows Leadership	\$	-		\$	15,000	No	\$	-	\$	-	\$	-	\$						
Renewable Energy Programs	\$	-		\$	63,378	No	\$	-	\$	-	\$	-	\$						
Grants Friends of Maui High School	\$	-		\$	89,869	No	\$	-	\$	-	\$	-	\$						
Maui Food Technology	\$	-		\$	6,247	No	\$	-	\$	-	\$	-	\$						
Maui Economic Development Board - Mi	\$	-		\$	54,149	No	\$	-	\$	-	\$	-	\$						
Grant for Heritage Hall	\$	-		\$	42,017	No	\$	-	\$	-	\$	-	\$						
Festivals of Aloha	\$	-		\$	40,000	High	\$	10,112	\$	-	\$	-	\$						
Lanai Economic Development & Cultural	\$	-		\$	66,496	Mod	\$	8,405	\$	-	\$	-	\$						
Sister City Program	\$	-		\$	23,764	High	\$	6,008	\$	-	\$	-	\$						
Economic Development Initiatives Progr	\$	-		\$	217,882	High	\$	55,081	\$	-	\$	-	\$						
Youth Work Program	\$	22,955	No	\$	-		\$	-	\$	-	\$	-	\$						
Kauai Equal Access Program	\$	100,957	High	\$	25,370		\$	-	\$	-	\$	-	\$						
Boards and commissions	\$	753,109	No	\$	-		\$	-	\$	-	\$	-	\$						
Office of the County Attorney	\$	2,564,057	Mod	\$	322,174		\$	-	\$	-	\$	-	\$						
Office of the Prosecuting Attorney	\$	3,289,442	Mod	\$	413,318		\$	-	\$	-	\$	-	\$						
Management:	\$	-					\$	-	\$	-	\$	-	\$						
Management	\$	-		\$	1,368,078	No	\$	-	\$	-	\$	-	\$						
Molokai Veterans Caring	\$	-		\$	20,801	No	\$	-	\$	-	\$	-	\$						
County Facilities Security Program	\$	-		\$	151,104	No	\$	-	\$	-	\$	-	\$						
Information Technology Services	\$	-		\$	5,839,622	No	\$	-	\$	-	\$	-	\$						
Geographic Information Systems	\$	-		\$	386,119	No	\$	-	\$	-	\$	-	\$						
Corporation Counsel:	\$	-					\$	-	\$	-	\$	-	\$						
Legal Services	\$	-		\$	2,856,538	Low	\$	180,533	\$	-	\$	-	\$						
Department of Finance:	\$	-					\$	-	\$	-	\$	-	\$						
Administration	\$	950,901	No	\$	632,217	No	\$	-	\$	-	\$	-	\$						
Accounting and Budgeting	\$	507,822	No	\$	1,401,053	No	\$	-	\$	-	\$	-	\$						
Treasury	\$	227,181	No	\$	737,768	No	\$	-	\$	-	\$	-	\$						

General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Motor vehicle	\$	659,320	Mod	\$ 82,844	\$ -		\$ -			\$ -			\$ -
Drivers license	\$	458,855	No	\$ -	\$ -		\$ -			\$ -			\$ -
Real property assessment	\$	1,589,319	No	\$ -	\$ -		\$ -			\$ -			\$ -
Real property collections	\$	385,610	No	\$ -	\$ -		\$ -			\$ -			\$ -
Purchasing	\$	664,102	Low	\$ 41,722	\$ 387,844	No	\$ -			\$ -			\$ -
Information technology	\$	1,439,272	Low	\$ 90,422	\$ -		\$ -			\$ -			\$ -
Financial Services	\$	-		\$ -	\$ 4,805,089	Low	\$ 303,682			\$ -			\$ -
CW Service Center - Annual Lease Costs	\$	-		\$ -	\$ 331,145	No	\$ -			\$ -			\$ -
Countywide Fringe Benefits	\$	-		\$ -	\$ 67,094,837	No	\$ -			\$ -			\$ -
Interfund Fringe Reimbursement	\$	-		\$ -	\$ (12,717,825)	No	\$ -			\$ -			\$ -
Bond Issuance and Debt Services	\$	-		\$ -	\$ 34,112,461	Low	\$ 2,155,908			\$ -			\$ -
Insurance and Self Insurance	\$	-		\$ -	\$ 3,221,996	Mod	\$ 407,260			\$ -			\$ -
Countywide General Cost	\$	-		\$ -	\$ 979,015	No	\$ -			\$ -			\$ -
Overhead Reimbursement	\$	-		\$ -	\$ (6,875,751)	No	\$ -			\$ -			\$ -
County-wide Costs:	\$	-		\$ -	\$ -		\$ -			\$ -			\$ -
Insurance:	\$	-		\$ -	\$ -		\$ -			\$ -			\$ -
Liability insurance	\$	610,899	High	\$ 153,519	\$ -		\$ -			\$ -			\$ -
Fire insurance (helicopter)	\$	439,026	High	\$ 110,327	\$ -		\$ -			\$ -			\$ -
Self insurance (\$1 million fund balance)	\$	-	High	\$ -	\$ -		\$ -			\$ -			\$ -
Excess workers compensation	\$	218,692	No	\$ -	\$ -		\$ -			\$ -			\$ -
Other County-wide Costs:	\$	-		\$ -	\$ -		\$ -			\$ -			\$ -
Central services cost	\$	(2,684,950)	No	\$ -	\$ -		\$ -			\$ -			\$ -
Collective bargaining raises	\$	50,830	No	\$ -	\$ -		\$ -			\$ -			\$ -
Vacation payout	\$	539,746	No	\$ -	\$ -		\$ -			\$ -			\$ -
Special projects	\$	957,667	Low	\$ 60,165	\$ -		\$ -			\$ -			\$ -
Claims	\$	378,430	Low	\$ 23,775	\$ -		\$ -			\$ -			\$ -
Training	\$	177	No	\$ -	\$ -		\$ -			\$ -			\$ -
Telephone services	\$	137,631	No	\$ -	\$ -		\$ -			\$ -			\$ -
Computers and accessories	\$	202,770	No	\$ -	\$ -		\$ -			\$ -			\$ -
Repair and maintenance, financial s	\$	696,804	No	\$ -	\$ -		\$ -			\$ -			\$ -
Personnel Services	\$	1,532,598	No	\$ -	\$ 1,278,521	No	\$ -			\$ -			\$ -
Planning	\$	2,239,574	No	\$ -	\$ -		\$ -			\$ -			\$ -
Administration	\$	-		\$ -	\$ 4,040,229	No	\$ -			\$ -			\$ -
Development Fee Impact Study	\$	-		\$ -	\$ 21,421	No	\$ -			\$ -			\$ -
General Plan Update	\$	-		\$ -	\$ 13,413	No	\$ -			\$ -			\$ -
Maui Redevelopment Agency	\$	-		\$ -	\$ 46,046	No	\$ -			\$ -			\$ -
UH-Maui Sea Grant	\$	-		\$ -	\$ 76,175	No	\$ -			\$ -			\$ -
Small Town Planning	\$	-		\$ -	\$ 72,586	High	\$ 18,350			\$ -			\$ -
Integrated Socioeconomic Land Use	\$	-		\$ -	\$ 18,750	No	\$ -			\$ -			\$ -
Cultural Resource Management	\$	-		\$ -	\$ 8,312	No	\$ -			\$ -			\$ -
Environmental Assessment - Planning	\$	-		\$ -	\$ 3,086	No	\$ -			\$ -			\$ -
Office of Economic Development	\$	2,240,607	High	\$ 563,065	\$ -		\$ -			\$ -			\$ -
Public Works:	\$	-		\$ -	\$ -		\$ -			\$ -			\$ -
Administration	\$	-		\$ -	\$ 460,379	Low	\$ 29,096			\$ -			\$ -
Engineering	\$	-		\$ -	\$ 3,378,102	Low	\$ 213,496			\$ -			\$ -
Special Maintenance	\$	-		\$ -	\$ 1,170,469	Low	\$ 73,974			\$ -			\$ -
Development Services Administration	\$	-		\$ -	\$ 1,930,458	Low	\$ 122,005			\$ -			\$ -
<b>Total General Government</b>	<b>\$</b>	<b>26,961,793</b>		<b>\$ 1,886,702</b>	<b>\$ 133,581,887</b>		<b>\$ 7,915,368</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Public Safety:</b>													
Prosecuting Attorney	\$	-		\$ -	\$ -		\$ -			\$ -			\$ -
Administration	\$	-		\$ -	\$ 821,755	Low	\$ 51,935			\$ -			\$ -
General Prosecution	\$	-		\$ -	\$ 4,491,781	Low	\$ 283,881			\$ -			\$ -
Police Department	\$	26,125,581	High	\$ 6,565,359	\$ -		\$ -			\$ -			\$ -
Administration	\$	-		\$ -	\$ 4,771,733	High	\$ 1,206,294			\$ -			\$ -

General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Investigative Service	\$	-		\$ -	\$ 7,355,677	High	\$ 1,859,515		\$	-		\$	-
Uniformed Patrol Services	\$	-		\$ -	\$ 22,434,357	High	\$ 5,671,405		\$	-		\$	-
Technical and Support Services	\$	-		\$ -	\$ 6,994,411	High	\$ 1,768,187		\$	-		\$	-
Fire Department	\$	23,039,681	High	\$ 5,789,872	\$ -		\$ -		\$	-		\$	-
Administrative and Maintenance	\$	-		\$ -	\$ 1,999,189	Mod	\$ 252,697		\$	-		\$	-
Training	\$	-		\$ -	\$ 850,942	Mod	\$ 107,559		\$	-		\$	-
Rescue Operations	\$	-		\$ -	\$ 23,104,872	High	\$ 5,840,912		\$	-		\$	-
Prevention	\$	-		\$ -	\$ 719,445	Mod	\$ 90,938		\$	-		\$	-
Civil Defense Agency	\$	1,101,194	High	\$ 276,730	\$ 312,954	High	\$ 79,115		\$	-		\$	-
Liquor Control	\$	849,616	High	\$ 213,509	\$ 2,160,863	High	\$ 546,266		\$	-		\$	-
<b>Total Public Safety</b>	\$	<b>51,116,072</b>		<b>\$ 12,845,469</b>	<b>\$ 76,017,979</b>		<b>\$ 17,758,704</b>	\$ -	\$	-	\$ -	\$	-
<b>Public Works:</b>													
Administrative	\$	455,417	No	\$ -	\$ -		\$ -		\$	-		\$	-
Fiscal and clerical	\$	308,086	No	\$ -	\$ -		\$ -		\$	-		\$	-
Plans, survey and construction	\$	1,449,638	No	\$ -	\$ -		\$ -		\$	-		\$	-
Auto maintenance and fuel	\$	375,410	No	\$ -	\$ -		\$ -		\$	-		\$	-
Building division:	\$	-		\$ -	\$ -		\$ -		\$	-		\$	-
Inspection	\$	1,731,819	No	\$ -	\$ -		\$ -		\$	-		\$	-
Repairs and maintenance	\$	3,026,857	Mod	\$ 380,325	\$ -		\$ -		\$	-		\$	-
Janitorial	\$	2,816,846	No	\$ -	\$ -		\$ -		\$	-		\$	-
<b>Total Public Works</b>	\$	<b>10,164,073</b>		<b>\$ 380,325</b>	<b>\$ -</b>		<b>\$ -</b>	\$ -	\$	-	\$ -	\$	-
<b>Highways &amp; Streets-Road Maint:</b>													
Roads Administration	\$	2,213,232	High	\$ 556,185	\$ 4,995,748	High	\$ 1,262,925		\$	-		\$	-
Hanapepe Baseyard	\$	1,976,282	High	\$ 496,640	\$ -		\$ -		\$	-		\$	-
Kapaa Baseyard	\$	1,390,730	High	\$ 349,490	\$ -		\$ -		\$	-		\$	-
Hanalei Baseyard	\$	984,656	High	\$ 247,444	\$ -		\$ -		\$	-		\$	-
Sign And Roads Marking	\$	1,330,616	High	\$ 334,384	\$ 916,102	High	\$ 231,591		\$	-		\$	-
Roads Maintenance Other	\$	2,342,348	High	\$ 588,632	\$ 11,638,179	High	\$ 2,942,132		\$	-		\$	-
Auto Maintenance	\$	2,206,292	High	\$ 554,441	\$ 2,782,622	High	\$ 703,447		\$	-		\$	-
Transportation:													
Administration	\$	-		\$ -	\$ 1,219,713	No	\$ -		\$	-		\$	-
Public Transit	\$	-		\$ -	\$ 9,982,147	High	\$ 2,523,487		\$	-		\$	-
Human Service Transportation	\$	-		\$ -	\$ 5,819,270	Low	\$ 367,778		\$	-		\$	-
MEO Vet 1 Call 1 Click	\$	-		\$ -	\$ 6,562	No	\$ -		\$	-		\$	-
Air Ambulance Program	\$	-		\$ -	\$ 672,215	Low	\$ 42,484		\$	-		\$	-
<b>Total Highways &amp; Streets</b>	\$	<b>12,444,155</b>		<b>\$ 3,127,216</b>	<b>\$ 38,032,558</b>		<b>\$ 8,073,843</b>	\$ -	\$	-	\$ -	\$	-
<b>Sanitation:</b>													
Solid Waste Disposal	\$	6,775,715	High	\$ 1,702,737	\$ -		\$ -		\$	-		\$	-
Solid Waste Collections	\$	3,614,925	High	\$ 908,431	\$ -		\$ -		\$	-		\$	-
Solid Waste Recycling	\$	1,973,850	High	\$ 496,028	\$ -		\$ -		\$	-		\$	-
Roads Maintenance Other	\$	-		\$ -	\$ -		\$ -		\$	-		\$	-
Auto Maintenance	\$	413,368	High	\$ 103,879	\$ -		\$ -		\$	-		\$	-
Wastewater	\$	9,514,978	High	\$ 2,391,114	\$ 24,865,301	High	\$ 6,285,948		\$	-		\$	-
Solid Waste	\$	-		\$ -	\$ 18,572,659	High	\$ 4,695,168		\$	-		\$	-
Environmental Management Administratic	\$	-		\$ -	\$ 600,970	High	\$ 151,925		\$	-		\$	-
<b>Total Sanitation</b>	\$	<b>22,292,837</b>		<b>\$ 5,602,190</b>	<b>\$ 44,038,930</b>		<b>\$ 11,133,042</b>	\$ -	\$	-	\$ -	\$	-
<b>Culture and Recreation:</b>													
Administrative and fiscal	\$	1,761,547	High	\$ 442,677	\$ 1,213,402	High	\$ 306,748		\$	-		\$	-
Planning and development	\$	222,256	High	\$ 55,853	\$ 414,826	High	\$ 104,868		\$	-		\$	-
Recreation	\$	2,070,623	High	\$ 520,348	\$ 14,916,704	High	\$ 3,770,943		\$	-		\$	-

General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Maintenance	\$	5,283,439	High	\$ 1,327,728	\$ 2,824,540	High	\$ 714,044			\$ -			\$ -
MCCC Workline	\$	-		\$ -	\$ 115,254	No	\$ -			\$ -			\$ -
Lahaina Restoration Foundation	\$	-		\$ -	\$ 220,861	High	\$ 55,834			\$ -			\$ -
PALS	\$	-		\$ -	\$ 1,270,581	No	\$ -			\$ -			\$ -
Aquatics	\$	-		\$ -	\$ 5,976,257	High	\$ 1,510,798			\$ -			\$ -
Beautification	\$	850,320	High	\$ 213,685	\$ -		\$ -			\$ -			\$ -
Auditorium	\$	414,979	Low	\$ 26,071	\$ -		\$ -			\$ -			\$ -
Stadiums	\$	586,827	Low	\$ 36,867	\$ -		\$ -			\$ -			\$ -
Golf Course	\$	2,407,981	High	\$ 605,126	\$ 2,347,542	High	\$ 593,459			\$ -			\$ -
<b>Total Culture and Recreation</b>	<b>\$</b>	<b>13,597,972</b>		<b>\$ 3,228,355</b>	<b>\$ 29,299,967</b>		<b>\$ 7,056,693</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Public Welfare:</b>													
Housing	\$	2,665,959	No	\$ -	\$ -		\$ -			\$ -			\$ -
Elderly Affairs	\$	997,320	No	\$ -	\$ -		\$ -			\$ -			\$ -
Transportation	\$	6,410,077	High	\$ 1,610,852	\$ -		\$ -			\$ -			\$ -
Housing and Human Concerns:													
Administration	\$	-		\$ -	\$ 499,263	No	\$ -			\$ -			\$ -
Housing	\$	-		\$ -	\$ 460,262	No	\$ -			\$ -			\$ -
Affordable Rental Housing Program	\$	-		\$ -	\$ 686,263	No	\$ -			\$ -			\$ -
Hale Mahalou - Homeowners/Housing	\$	-		\$ -	\$ 33,408	No	\$ -			\$ -			\$ -
Human Concerns - General	\$	-		\$ -	\$ 4,175,274	No	\$ -			\$ -			\$ -
Hana Youth Center, Inc.	\$	-		\$ -	\$ 124,740	No	\$ -			\$ -			\$ -
Women Helping Women	\$	-		\$ -	\$ 194,000	No	\$ -			\$ -			\$ -
Early Childhood	\$	-		\$ -	\$ 87,250	No	\$ -			\$ -			\$ -
Culture and Arts	\$	-		\$ -	\$ 11,245	No	\$ -			\$ -			\$ -
Substance Abuse	\$	-		\$ -	\$ 487,180	No	\$ -			\$ -			\$ -
E Malama I Na Keiki Preschool	\$	-		\$ -	\$ 55,172	No	\$ -			\$ -			\$ -
Homelessness Programs	\$	-		\$ -	\$ 630,552	No	\$ -			\$ -			\$ -
Maui Adult Day Care Center	\$	-		\$ -	\$ 277,290	No	\$ -			\$ -			\$ -
MCC Cooperative Education	\$	-		\$ -	\$ 48,587	No	\$ -			\$ -			\$ -
MEO Headstart After School	\$	-		\$ -	\$ 191,928	No	\$ -			\$ -			\$ -
MEO Headstart Summer	\$	-		\$ -	\$ 140,162	No	\$ -			\$ -			\$ -
Community Partnership Grants	\$	-		\$ -	\$ 1,084,513	No	\$ -			\$ -			\$ -
Youth Centers	\$	-		\$ -	\$ 165,200	No	\$ -			\$ -			\$ -
Lanai Youth Center	\$	-		\$ -	\$ 134,190	No	\$ -			\$ -			\$ -
Kihei Youth Center	\$	-		\$ -	\$ 169,155	No	\$ -			\$ -			\$ -
Youth	\$	-		\$ -	\$ 102,337	No	\$ -			\$ -			\$ -
Maui Family Support Services	\$	-		\$ -	\$ 52,350	No	\$ -			\$ -			\$ -
J. Water Cameron Center Expansion	\$	-		\$ -	\$ 94,500	No	\$ -			\$ -			\$ -
Big Brothers and Big Sisters	\$	-		\$ -	\$ 91,007	No	\$ -			\$ -			\$ -
Mental Health Association	\$	-		\$ -	\$ 24,402	No	\$ -			\$ -			\$ -
Seft Sufficiency	\$	-		\$ -	\$ 152,898	No	\$ -			\$ -			\$ -
Hana Community Association	\$	-		\$ -	\$ 36,974	No	\$ -			\$ -			\$ -
MEO Infant Toddler Care	\$	-		\$ -	\$ 71,242	No	\$ -			\$ -			\$ -
Maui Community Food Bank	\$	-		\$ -	\$ 334,000	No	\$ -			\$ -			\$ -
Hui Malama Learning Center	\$	-		\$ -	\$ 208,377	No	\$ -			\$ -			\$ -
Family Spt - Teen Voices	\$	-		\$ -	\$ 18,900	No	\$ -			\$ -			\$ -
Boy Scouts of America	\$	-		\$ -	\$ 250,000	No	\$ -			\$ -			\$ -
Salvation Army	\$	-		\$ -	\$ 132,300	No	\$ -			\$ -			\$ -
Community Work Day	\$	-		\$ -	\$ 154,000	No	\$ -			\$ -			\$ -
Grant for Molokai Youth Center	\$	-		\$ -	\$ 193,725	No	\$ -			\$ -			\$ -
Imua Family Services	\$	-		\$ -	\$ 200,000	No	\$ -			\$ -			\$ -
Paia Youth Council, Inc.	\$	-		\$ -	\$ 194,250	No	\$ -			\$ -			\$ -
Boys and Girls Club Maui, Inc.	\$	-		\$ -	\$ 852,034	No	\$ -			\$ -			\$ -
Maui Farm	\$	-		\$ -	\$ 211,095	No	\$ -			\$ -			\$ -

General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Youth Alcohol Education Awareness	\$	-	\$	-	\$ 130,000	No	\$ -		\$	-		\$	-
Coalition for Drug Free Lanai	\$	-	\$	-	\$ 41,036	No	\$ -		\$	-		\$	-
MEO Enlace Hispano Program	\$	-	\$	-	\$ 91,000	No	\$ -		\$	-		\$	-
Lahaina Tutoring Project	\$	-	\$	-	\$ 920	No	\$ -		\$	-		\$	-
Volunteer Center Project Graduation	\$	-	\$	-	\$ 46,215	No	\$ -		\$	-		\$	-
Ohana Makamae	\$	-	\$	-	\$ 87,808	No	\$ -		\$	-		\$	-
Lanai Women's Center	\$	-	\$	-	\$ 77,641	No	\$ -		\$	-		\$	-
Grants/Disability Services - Frail/Elderly	\$	-	\$	-	\$ 517,886	No	\$ -		\$	-		\$	-
Kansha Preschool	\$	-	\$	-	\$ 8,725	No	\$ -		\$	-		\$	-
Grants - Best Buddies Program	\$	-	\$	-	\$ 75,407	No	\$ -		\$	-		\$	-
Grants - American Red Cross	\$	-	\$	-	\$ 10,593	No	\$ -		\$	-		\$	-
Hawaiian Kamalii Inc.	\$	-	\$	-	\$ 18,128	No	\$ -		\$	-		\$	-
MEO Youth Services	\$	-	\$	-	\$ 180,752	No	\$ -		\$	-		\$	-
Hale Mahaolu Personal Care Program	\$	-	\$	-	\$ 73,764	No	\$ -		\$	-		\$	-
Special Olympics Hawaii Grants	\$	-	\$	-	\$ 36,050	No	\$ -		\$	-		\$	-
Hospice Maui Grants/Disbursements	\$	-	\$	-	\$ 187,500	No	\$ -		\$	-		\$	-
Arts Education/Innovative Program	\$	-	\$	-	\$ 410,800	No	\$ -		\$	-		\$	-
Heritage Hall, Inc.	\$	-	\$	-	\$ 56,070	No	\$ -		\$	-		\$	-
Animal Management	\$	-	\$	-	\$ 1,415,446	No	\$ -		\$	-		\$	-
Grant - Molokai Humane Society	\$	-	\$	-	\$ 9,776	No	\$ -		\$	-		\$	-
Grant - Lanai Animal Rescue	\$	-	\$	-	\$ 9,000	No	\$ -		\$	-		\$	-
Grant - SPCA Maui Snip	\$	-	\$	-	\$ 67,500	No	\$ -		\$	-		\$	-
Public Works:	\$	-	\$	-	\$ -		\$ -		\$	-		\$	-
Special Maintenance	\$	-	\$	-	\$ 92,999	No	\$ -		\$	-		\$	-
<b>Total Public Welfare</b>	<b>\$</b>	<b>10,073,356</b>	<b>\$</b>	<b>1,610,852</b>	<b>\$ 16,675,041</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>	<b>\$</b>	<b>-</b>
<b>Debt Service:</b>													
Debt Fund	\$	9,494,226	Mod	\$ 1,192,949	\$ -		\$ -		\$	-		\$	-
<b>General Fund Net Transfers-Out:</b>													
Public Access, Open Space	\$	1,610,427	Mod	\$ 202,350			\$ -		\$	-		\$	-
Committed Reserve & Self Ins.	\$	14,900	No	\$ -			\$ -		\$	-		\$	-
<b>Total General Fund Expenditures</b>	<b>\$</b>	<b>157,769,811</b>	19.06%	<b>\$ 30,076,408</b>	<b>\$ 337,646,362</b>	15.38%	<b>\$ 51,937,649</b>	<b>\$ -</b>	#DIV/0!	<b>\$ -</b>	<b>\$ -</b>	#DIV/0!	<b>\$ -</b>



**DRAFT**

TAT WORKING GROUP  
STATE INVESTIGATIVE COMMITTEE  
REVIEW AND ANALYSIS OF 2014 CAFR EXPENSES  
March 2015  
(Dollars in thousands)

<u>Expenses</u>	<u>Amount</u>	<u>Directly Related to Tourism</u>	<u>Indirectly related to tourism but essential support to line agencies</u>
General Government	\$ 567,941		X
Public Safety	\$ 533,727	X	
Highways	\$ 554,039	X	
Conservation of natural resources	\$ 101,587	X	
Health	\$ 849,493		X
Welfare	\$ 2,879,813		X
Lower Education	\$ 2,685,037		X
Higher Education	\$ 693,292		X
Other Education	\$ 21,766		X
Culture and recreation	\$ 104,303	X	
Urban redevelopment and housing	\$ 137,160		X
Economic development and assistance	\$ 166,455		
Interest expense	\$ 239,760		
Airports	\$ 346,699	X	
Harbors	\$ 89,327	X	
Unemployment compensation	\$ 244,947		
Nonmajor proprietary fund	\$ 87,031		
	\$ 10,302,377		

**Jayna Oshiro**

---

**From:** Kerry.K.Yoneshige@hawaii.gov  
**Sent:** Thursday, April 23, 2015 3:07 PM  
**To:** Jayna Oshiro  
**Cc:** MAEvans@dbedt.hawaii.gov; Neal.H.Miyahira@hawaii.gov; jsouki@imanaka-asato.com; shunt@kauai.gov; ed.case@outrigger.com  
**Subject:** State Investigative Group Items for May 6 Meeting  
**Attachments:** Scanned from a Xerox multifunction device.pdf

Jayna,

A draft template from the State Investigative Group to evaluate duties and responsibilities based on CAFR data is attached. Additionally, during our meeting, three issues arose that we'd like to place on the meeting agenda so that the working group can discuss them. The three issues are as follows.

1. Should the 2% increase in the TAT authorized from Act 61 (SLH 2009) that required all additional revenues collected to be deposited to the general fund be excluded from the Working Groups study/analysis and allocation recommendation(s).
2. The allocation of the TAT can be based on tourism or general government services provided. Should the working group's report to the legislature provide information on the outcomes (allocated amounts) on both allocation methods so the legislature has information to make an informed decision from.
3. Should the TAT allocations be based only on expenditures or should it be based on expenditures and revenue.

The answers to items 2 and 3 will aid in the development of a template and the compilation of information to populate the template. If you have any questions, please let me know.

Thanks  
Kerry

April 17, 2015

To: State-County Functions Working Group

Fr: Visitor Industry Investigative Group *Ed Cox, Chair*

Re: Visitor Industry Views on Visitor-Related Needs for State and County Services

The Visitor Industry Investigative Group was charged to “review and summarize visitor industry and other views on visitor-related needs for State and county services”.

The scope of authority for each group member was to “discuss with and obtain information from visitor industry and other sources.”

The methodology followed by the group was as follows:

- (1) Each member reached out to his visitor industry and other contacts with a common and open-ended request to identify priority visitor-related needs for State and County services.
- (2) The contact groups included but were not limited to: employees of Outrigger Enterprises at 31 properties on four islands; members and others on the mailing lists of the Hawaii Lodging & Tourism Association and the Waikiki Improvement Association; the Hawaii Tourism Association and other organizations focused on the tourist industry; and visitor industry retail and other partners.
- (3) Each member reviewed the raw results and compared them against his own anecdotal information and overall view of the visitor industry.
- (4) The members agreed upon an overall summary of the results organized generally by reference to the State and county CAGR expense categories.

Based on the above, the investigative group reports to the full working group as follows:

- (a) In general, visitor industry and other views on visitor-related needs for State and county services break down into three categories of priorities: Priority 1 (direct needs viewed as most important across the board); Priority 2 (direct needs viewed as very important but not at the same priority as 1 and/or not universal); and Priority 3 (some or all of: direct needs not at the same priority as 1 and 2; direct needs targeted at more specific areas rather than universal; and indirect needs which are important to laying the foundation for addressing direct visitor needs).
- (b) Priority 1 categories encompass Transportation and Parks and Recreation, Further:

- (i) In Transportation, the priority area is to maintain and improve our airports, especially general conditions, signage, restrooms, and visitor assistance. Another priority area is to maintain and improve our highways and roads, both general conditions and specifics including directional signage, non-vehicular access, and litter and overall beautification. Also identified were assuring fair and accessible public transportation, and, mainly for our cruise visitors, improving our major harbors.
- (ii) In Parks and Recreation, the priority area is to improve the general conditions of our state and county parks, especially beach parks but also substantially other state and county recreational areas such as trails. Related areas include lifeguards, restrooms, trash and beach erosion. An equal priority is park-specific public safety.

(c) Priority 2 categories encompass Public Safety and Housing. Further:

- (i) In Public Safety, the priority area is increased police presence in destinations focused on or frequented by visitors. This is a particular Waikiki focus but is universal across all islands including not just parks but other visitor destinations.
- (ii) In Housing, the priority area is homelessness. While this is a particular Waikiki focus as well, it is also a primary concern in non-Waikiki tourist destination areas statewide.

(d) Priority 3 categories encompass Culture, Education, Sanitation and IAUs (Individually Advertised Units). Further:

- (i) In Culture, the general priority is preservation and enhancement through education of the diverse cultures of Hawaii that contribute to our unique visitor experience.
- (ii) In Education, the general priority in addition to cultural preservation is visitor industry workforce training.
- (iii) In Sanitation, the priority areas relate both specifically to visitor destinations including airports/roads and parks/recreation areas, but also general capacity to handle visitor as well as resident demand.
- (iv) In IAUs, the priority areas are to eliminate illegal rentals and assure full compliance with visitor-specific requirements including TAT payment.

On two supplemental notes:

- (1) While the investigative group views its charge as summarizing the priorities of the visitor industry for State and county services, the group recognizes that all other areas

of government contribute importantly in various ways, both directly or indirectly, to the fulfillment of visitor-related needs for such services.

- (2) The group has not specifically addressed general tourism marketing and promotion of Hawaii as it regards that function as a given that is being carried out by the Hawaii Tourism Authority and related county services, but notes that the visitor industry continues to view that as a high priority visitor-related need for State and county services.

Mahalo for considering this report by the Visitor Industry Investigative Group. We look forward to discussing our report with the full group and to undertaking whatever further responsibilities the full group might direct.

# HB1214 HD1 SD1 CD1

Measure Title: RELATING TO THE STATE-COUNTY FUNCTIONS WORKING GROUP.  
 Report Title: Auditor; State-County Functions Working Group; Appropriation (\$)  
 Description: Appropriates funds from transient accommodations tax revenues allocated to the counties to the Office of the Auditor to carry out the purposes of the State-County Functions Working Group. (CD1)  
 Companion: SB1359  
 Package: None  
 Current Referral: PSM, WAM  
 Introducer(s): SOUKI

Sort by Date	Status Text
1/28/2015 H	Pending introduction.
1/29/2015 H	Introduced and Passed First Reading
2/2/2015 H	Referred to LMG, FIN, referral sheet 6
2/9/2015 H	Bill scheduled to be heard by LMG on Wednesday, 02-11-15 2:00PM in House conference room 423.
2/11/2015 H	The committees on LMG recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 5 Ayes: Representative(s) Nishimoto, Mizuno, Evans, Saiki, Fukumoto Chang; Ayes with reservations: none; Noes: none; and Excused: none.
2/19/2015 H	Reported from LMG (Stand. Com. Rep. No. 375), recommending passage on Second Reading and referral to FIN.
2/19/2015 H	Passed Second Reading and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Oshiro, Souki excused (2).
2/23/2015 H	Bill scheduled to be heard by FIN on Wednesday, 02-25-15 2:45PM in House conference room 308.
2/25/2015 H	The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 14 Ayes: Representative(s) Luke, Nishimoto, Cachola, DeCoite, Johanson, Jordan, Keohokalole, Kobayashi, Lowen, Onishi, Tokioka, Yamashita, Pouha, Ward; Ayes with reservations: none; 0 Noes: none; and 1 Excused: Representative(s) Cullen.
3/6/2015 H	Reported from FIN (Stand. Com. Rep. No. 767) as amended in HD 1, recommending passage on Third Reading.
3/6/2015 H	Forty-eight (48) hours notice Tuesday, 03-10-15.
3/10/2015 H	Passed Third Reading as amended in HD 1 with Representative(s) Keohokalole voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.
3/12/2015 S	Received from House (Hse. Com. No. 294).
3/12/2015 S	Passed First Reading.
3/12/2015 S	Referred to PSM, WAM.
3/13/2015 S	The committee(s) on PSM has scheduled a public hearing on 03-24-15 1:20PM in conference room 229.
3/24/2015 S	The committee(s) on PSM recommend(s) that the measure be PASSED, UNAMENDED. The votes in PSM were as follows: 3 Aye(s): Senator(s) Espeso, Baker, Keith-Agaran; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Galuteria, Slom.
3/27/2015 S	Reported from PSM (Stand. Com. Rep. No. 1109) with recommendation of passage on Second Reading and referral to WAM.
3/27/2015 S	Report adopted; Passed Second Reading and referred to WAM.
4/2/2015 S	The committee(s) on WAM will hold a public decision making on 04-07-15 1:35PM in conference room 211.
4/7/2015 S	The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 10 Aye(s): Senator(s) Tokuda, Kouchi, Chun Oakland, English, Galuteria, Harimoto, Inouye, Riviere, Ruderman, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Dela Cruz.
4/10/2015 S	Reported from WAM (Stand. Com. Rep. No. 1552) with recommendation of passage on Third Reading, as amended (SD 1).

4/10/2015	S	48 Hrs. Notice 04-14-15.
4/14/2015	S	Report adopted; Passed Third Reading, as amended (SD 1). Ayes, 25; Aye(s) with reservations: none . Noes, 0 (none). Excused, 0 (none). Transmitted to House.
4/14/2015	H	Returned from Senate (Sen. Com. No. 608) in amended form (SD 1).
4/16/2015	H	House disagrees with Senate amendment (s).
4/17/2015	S	Received notice of disagreement (Hse. Com. No. 616).
4/20/2015	H	House Conferees Appointed: Nishimoto, DeCoite Co-Chairs; Yamashita, Tupola.
4/20/2015	S	Received notice of appointment of House conferees (Hse. Com. No. 617).
4/20/2015	S	Senate Conferees Appointed: Espero Chair; Kouchi Co-Chair; Slom.
4/20/2015	H	Received notice of Senate conferees (Sen. Com. No. 641).
4/27/2015	S	Conference committee meeting scheduled for 04-28-15 1:15PM in conference room 312.
4/28/2015	S	Conference committee meeting to reconvene on 04-30-15 1:15PM in conference room 312.
4/30/2015	H	The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 4 Ayes: Representative(s) Nishimoto, DeCoite, Yamashita, Tupola; Ayes with reservations: none; 0 Noes: none; and 0 Excused: none.
4/30/2015	S	The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 2 Aye(s): Senator(s) Espero, Kouchi; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Slom.
5/1/2015	H	Reported from Conference Committee (Conf Com. Rep. No. 62) as amended in (CD 1).
5/1/2015	H	Forty-eight (48) hours notice Tuesday 05-05-15.
5/1/2015	S	Reported from Conference Committee as amended CD 1 (Conf. Com. Rep. No. 62).
5/1/2015	S	48 Hrs. Notice (as amended CD 1) 05-05-15.
5/5/2015	S	Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with reservations: none . 0 No(es): none. 0 Excused: none.
5/5/2015	H	Passed Final Reading as amended in CD 1 with none voting aye with reservations; Representative(s) Pouha, Tupola voting no (2) and none excused (0).

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | **ConAm** = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

## HB1214 HD1 SD1 CD1

Honolulu, Hawaii

May 1

, 2015

RE: H.B. No. 1214  
H.D. 1  
S.D. 1  
C.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1214, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STATE-COUNTY FUNCTIONS WORKING GROUP,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to appropriate moneys from the general fund to the Office of the Auditor to support the state-county functions working group established by Act 174, Session Laws of Hawaii 2014.

Your Committee on Conference finds that the state-county functions working group was established by Act 174, Session Laws of Hawaii 2014, to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services. Your Committee on Conference further finds that Act 174, Session Laws of Hawaii 2014, provided that reimbursements would be





made to the working group members by the Auditor, based upon the Auditor's request to the Legislature in 2015 and 2016 for an appropriation equal to the reimbursements made and expected to be made. Reimbursements for travel and report production costs for fiscal year 2014-2015 were \$150,000, and it is estimated that the fiscal year 2015-2016 costs for consultant services, meetings, and final report production will increase to \$165,000. Your Committee on Conference believes that implementation of this measure will help the state-county functions working group to fulfill its duties and responsibilities.

Your Committee on Conference has amended this measure by:

- (1) Specifying that the funds appropriated shall come from the transient accommodations tax revenues allocated to the counties pursuant to section 237D-6.5(b)(3), Hawaii Revised Statutes, instead of from the general revenues of the State;
- (2) Changing the appropriation amount from an unspecified sum to \$165,000, and allocating \$15,000 to pay for the actual expenses incurred and expected to be made by the working group and \$150,000 to procure consultant services to assist the working group; and
- (3) Changing the effective date from July 1, 2050, to July 1, 2015.

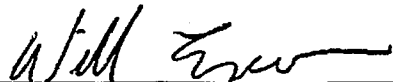
As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 1214, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1214, H.D. 1, S.D. 1, C.D. 1.



Respectfully submitted on behalf  
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE

  
\_\_\_\_\_  
WILL ESPERO, Chair

  
\_\_\_\_\_  
RONALD D. KOUCHI, Co-Chair

  
\_\_\_\_\_  
SCOTT Y. NISHIMOTO, Co-Chair

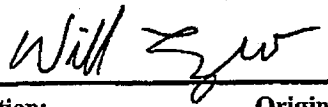
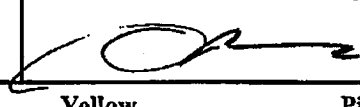
  
\_\_\_\_\_  
LYNN DECOITE, Co-Chair



# Hawaii State Legislature

## Record of Votes of a Conference Committee

CCR 62

Bill / Concurrent Resolution No.: <b>HB 1214, HD 1, SD 1</b>					Date/Time: <b>4/30/15 1:22pm</b>				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
ESPERO, Will, Chr.	/				NISHIMOTO, Scott Y., Co-Chr.	/			
KOUCHI, Ronald D., Co-Chr.	/				DECOITE, Lynn, Co-Chr.	/			
SLOM, Sam	X			/	YAMASHITA, Kyle T.	/			
					TUPOLA, Andria P.L.	/			
TOTAL	2			1	TOTAL	4			
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is:					House Recommendation is:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
									
Distribution:      Original					Yellow				
File with Conference Committee Report					House Clerk's Office				
					Pink				
					Senate Clerk's Office				
					Goldenrod				
					Drafting Agency				

---

# A BILL FOR AN ACT

---

RELATING TO THE STATE-COUNTY FUNCTIONS WORKING GROUP.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The legislature finds that the office of the  
2 auditor requires funding for the state-county functions working  
3 group established by Act 174, Session Laws of Hawaii 2014. The  
4 working group was established to evaluate, among other things,  
5 the division of duties and responsibilities between the State  
6 and counties relating to the provision of public services.

7       The purpose of this Act is to appropriate funds to the  
8 office of the auditor to carry out the purposes of the working  
9 group.

10       SECTION 2. There is appropriated out of the \$103,000,000  
11 of transient accommodations tax revenues allocated to the  
12 counties pursuant to section 237D-6.5(b)(3), Hawaii Revised  
13 Statutes, the sum of \$165,000 or so much thereof as may be  
14 necessary for fiscal year 2015-2016 as follows:

15       (1) \$15,000 to pay for the actual expenses incurred and  
16       expected to be made by the working group; and

17       (2) \$150,000 to procure consultant services to assist the  
18       working group to:



1           (A) Evaluate the division of duties and  
2           responsibilities between the State and counties  
3           relating to the provision of public services; and

4           (B) Develop methodologies to determine the  
5           appropriate allocation of transient  
6           accommodations tax revenues between the State and  
7           the counties that properly reflects the division  
8           of duties and responsibilities relating to the  
9           provision of public services.

10          The sum appropriated shall be expended by the office of the  
11   auditor for the purposes of this Act.

12          SECTION 3. This Act shall take effect on July 1, 2015.



H.B. NO. 1214  
H.D. 1  
S.D. 1  
C.D. 1

**Report Title:**

Auditor; State-County Functions Working Group; Appropriation

**Description:**

Appropriates funds from transient accommodations tax revenues allocated to the counties to the Office of the Auditor to carry out the purposes of the State-County Functions Working Group.  
(CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*



County Visitor/Resident Ratio	CCH 8.90%		Maui 25.28%		Hawai'i 13.29%		Kaua'i 25.13%	
General Government	\$ 163,119,879	\$ 2,575,527	\$ 133,581,887	\$ 7,915,368	\$ 94,373,908	\$ 3,047,700	\$ 26,961,793	\$ 1,886,702
Public Safety	\$ 377,562,837	\$ 32,982,889	\$ 76,017,979	\$ 17,758,704	\$ 112,557,963	\$ 13,909,178	\$ 51,116,072	\$ 12,845,469
Public Works	\$ -	\$ -	\$ -	\$ -	\$ 14,923,864	\$ 320,818	\$ 10,164,073	\$ 380,325
Highway & Streets	\$ 23,187,649	\$ 2,063,701	\$ 38,032,558	\$ 8,073,843	\$ 11,172,610	\$ 1,484,840	\$ 12,444,155	\$ 3,127,216
Sanitation	\$ 1,695,188	\$ 150,872	\$ 44,038,930	\$ 11,133,042	\$ 29,472,831	\$ 3,916,939	\$ 22,292,837	\$ 5,602,190
Human Services	\$ 3,061,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture & Recreation	\$ 85,560,849	\$ 7,243,949	\$ 29,299,967	\$ 7,056,693	\$ 18,440,874	\$ 2,329,704	\$ 13,597,972	\$ 3,228,355
Public Welfare	\$ -	\$ -	\$ 16,675,041	\$ -	\$ 32,580,804	\$ 1,239,515	\$ 10,073,356	\$ 1,610,852
Utilities/Transporation	\$ 1,775,465	\$ 158,016	\$ -	\$ -			\$ -	\$ -
Debt Service	\$ 301,893,987	\$ 13,434,282	\$ -	\$ -	\$ 39,638,084	\$ 2,633,951	\$ 9,494,226	\$ 1,192,949
Miscellaneous	\$ 556,531,854	\$ 13,434,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Transfer	\$ -	\$ -	\$ -	\$ -	\$ 3,704,704	\$ 246,178	\$ 1,625,327	\$ 202,350
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ 29,698,937	\$ 1,759,846	\$ -	\$ -
Proprietary Funds	\$ 490,185,313	\$ 43,626,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 2,004,574,421	\$ 115,670,580	\$ 337,646,362	\$ 51,937,649	\$ 386,564,579	\$ 30,888,669	\$ 157,769,811	\$ 30,076,408

Visitor to Total Expenditures	5.77%	15.38%	7.99%	19.06%
Total Expenditures Statewide	69.45%	11.70%	13.39%	5.47%
Visitor Expenditures Statewide	50.61%	22.72%	13.51%	13.16%
TAT Allocation (uncapped)	44.10%	22.80%	18.60%	14.50%

KAUAI COUNTY					MAUI COUNTY					HAWAII COUNTY					CITY & COUNTY OF HONOLULU				
General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals		Visitor Nexus	Visitor Allocation 25.28%	Totals		Visitor Nexus	Visitor Allocation 13.29%	Totals		Visitor Nexus	Visitor Allocation 8.90%			
Council Services and County Clerk	\$	2,797,695	No	\$	5,614,713	No	\$	3,077,753	No	\$	49,730								
Elections	\$	543,763	No	\$	-		\$	665,867	No	\$									
Office of the County Auditor	\$	776,453	No	\$	372,557	No	\$	627,881	No	\$									
Office of the Mayor:	\$	-					\$	1,496,765	Low	\$									
Administration	\$	1,670,479	No	\$	1,944,805	Low	\$	122,912		\$									
Economic Development	\$	-		\$	954,110	High	\$	241,199		\$									
Molokai Economic Development & Cultu	\$	-		\$	93,951	Mod	\$	11,875		\$									
Agriculture Promotion	\$	-		\$	121,475	No	\$	-		\$									
Aquaculture & Marine Resources	\$	-		\$	26,098	Low	\$	1,649		\$									
Film Industry Promotions	\$	-		\$	75,342	Mod	\$	9,523		\$									
Maui County Farm Bureau	\$	-		\$	270,515	No	\$	-		\$									
Maui Economic Development Board	\$	-		\$	422,665	No	\$	-		\$									
Maui Visitors Bureau	\$	-		\$	3,577,230	All	\$	3,577,230		\$									
Small Business & High Tech Promo	\$	-		\$	80,323	No	\$	-		\$									
Maui Arts & Cultural Center	\$	-		\$	339,000	High	\$	85,699		\$									
Business Research Library	\$	-		\$	69,811	No	\$	-		\$									
Environmental Protection	\$	-		\$	925,942	High	\$	234,078		\$									
East Maui Econ Development & Cultural	\$	-		\$	47,223	Low	\$	2,984		\$									
UH Tropical Agricultural & Human Resoi	\$	-		\$	11,247	Low	\$	711		\$									
MEO Bus Development CP Microenterpri	\$	-		\$	236,223	No	\$	-		\$									
Maui Nui Botanical Gardens	\$	-		\$	113,017	High	\$	28,571		\$									
Grant - Maui Comm Theater - Iao Imprc	\$	-		\$	73,359	Low	\$	4,636		\$									
Maui Soil & Water Conservation	\$	-		\$	72,100	No	\$	-		\$									
Soil & Water Conservation - Molokai	\$	-		\$	18,863	No	\$	-		\$									
Culture & Arts Program	\$	-		\$	41,104	High	\$	10,391		\$									
Molokai Livestock Cooperative	\$	-		\$	3,280	No	\$	-		\$									
MCC Nursing & Dental Assistant Prograr	\$	-		\$	208,074	No	\$	-		\$									
Ka Ipu Kukui Fellows Leadership	\$	-		\$	15,000	No	\$	-		\$									
Renewable Energy Programs	\$	-		\$	63,378	No	\$	-		\$									
Grants Friends of Maui High School	\$	-		\$	89,869	No	\$	-		\$									
Maui Food Technology	\$	-		\$	6,247	No	\$	-		\$									
Maui Economic Development Board - Mi	\$	-		\$	54,149	No	\$	-		\$									
Grant for Heritage Hall	\$	-		\$	42,017	No	\$	-		\$									
Festivals of Aloha	\$	-		\$	40,000	High	\$	10,112		\$									
Lanai Economic Development & Cultural	\$	-		\$	66,496	Mod	\$	8,405		\$									
Sister City Program	\$	-		\$	23,764	High	\$	6,008		\$									
Economic Development Initiatives Progr	\$	-		\$	217,882	High	\$	55,081		\$									
Youth Work Program	\$	22,955	No	\$	-		\$	-		\$									
Kauai Equal Access Program	\$	100,957	High	\$	25,370		\$	-		\$									
Boards and commissions	\$	753,109	No	\$	-		\$	-		\$									
Office of the County Attorney	\$	2,564,057	Mod	\$	322,174		\$	-		\$									
Office of the Prosecuting Attorney	\$	3,289,442	Mod	\$	413,318		\$	-		\$									
Management:	\$	-					\$	-		\$									
Management	\$	-		\$	1,368,078	No	\$	-		\$									
Molokai Veterans Caring	\$	-		\$	20,801	No	\$	-		\$									
County Facilities Security Program	\$	-		\$	151,104	No	\$	-		\$									
Information Technology Services	\$	-		\$	5,839,622	No	\$	-		\$									
Geographic Information Systems	\$	-		\$	386,119	No	\$	-		\$									
Corporation Counsel:	\$	-					\$	2,533,928	Low	\$	84,190								
Legal Services	\$	-		\$	2,856,538	Low	\$	180,533		\$									
Department of Finance:	\$	-					\$	10,341,563	Low	\$	343,598								
Administration	\$	950,901	No	\$	632,217	No	\$	-		\$									
Accounting and Budgeting	\$	507,822	No	\$	1,401,053	No	\$	-		\$									
Treasury	\$	227,181	No	\$	737,768	No	\$	-		\$									



General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Motor vehicle	\$	659,320	Mod	\$ 82,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Drivers license	\$	458,855	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real property assessment	\$	1,589,319	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real property collections	\$	385,610	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchasing	\$	664,102	Low	\$ 41,722	\$ 387,844	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Information technology	\$	1,439,272	Low	\$ 90,422	\$ -	\$ -	\$ -	\$ 2,065,896	No	\$ -	\$ -	\$ -	\$ -
Financial Services	\$	-	\$ -	\$ -	\$ 4,805,089	Low	\$ 303,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CW Service Center - Annual Lease Costs	\$	-	\$ -	\$ -	\$ 331,145	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Countywide Fringe Benefits	\$	-	\$ -	\$ -	\$ 67,094,837	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Fringe Reimbursement	\$	-	\$ -	\$ -	\$ (12,717,825)	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Issuance and Debt Services	\$	-	\$ -	\$ -	\$ 34,112,461	Low	\$ 2,155,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance and Self Insurance	\$	-	\$ -	\$ -	\$ 3,221,996	Mod	\$ 407,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Countywide General Cost	\$	-	\$ -	\$ -	\$ 979,015	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overhead Reimbursement	\$	-	\$ -	\$ -	\$ (6,875,751)	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County-wide Costs:	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension & Retirement Contributions-COH								\$ 32,456,247	Low	\$ 1,078,359			
Employers' Health Insurance - COH								\$ 26,748,920	Low	\$ 888,733			
Other Postemployment Benefits - COH								\$ 4,616,786	Low	\$ 153,393			
Other - COH								\$ 1,737,118	No	\$ -			
Insurance:	\$			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Liability insurance	\$	610,899	High	\$ 153,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Fire insurance (helicopter)	\$	439,026	High	\$ 110,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Self insurance (\$1 million fund balance)	\$	-	High	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Excess workers compensation	\$	218,692	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Other County-wide Costs:	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Central services cost	\$	(2,684,950)	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Collective bargaining raises	\$	50,830	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Vacation payout	\$	539,746	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Special projects	\$	957,667	Low	\$ 60,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Claims	\$	378,430	Low	\$ 23,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Training	\$	177	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Telephone services	\$	137,631	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Computers and accessories	\$	202,770	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Repair and maintenance, financial s	\$	696,804	No	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Personnel Services	\$	1,532,598	No	\$ -	\$ 1,278,521	No	\$ -	\$ 1,728,504	No	\$ -		\$ -	\$ -
Planning	\$	2,239,574	No	\$ -	\$ -	\$ -	\$ -	\$ 2,892,951	No	\$ -		\$ -	\$ -
Administration	\$	-	\$ -	\$ -	\$ 4,040,229	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Development Fee Impact Study	\$	-	\$ -	\$ -	\$ 21,421	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
General Plan Update	\$	-	\$ -	\$ -	\$ 13,413	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Maui Redevelopment Agency	\$	-	\$ -	\$ -	\$ 46,046	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
UH-Maui Sea Grant	\$	-	\$ -	\$ -	\$ 76,175	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Small Town Planning	\$	-	\$ -	\$ -	\$ 72,586	High	\$ 18,350	\$ -	\$ -	\$ -		\$ -	\$ -
Integrated Socioeconomic Land Use	\$	-	\$ -	\$ -	\$ 18,750	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Cultural Resource Management	\$	-	\$ -	\$ -	\$ 8,312	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Environmental Assessment - Planning	\$	-	\$ -	\$ -	\$ 3,086	No	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Office of Economic Develop (R&D-COH)	\$	2,240,607	High	\$ 563,065	\$ -	\$ -	\$ -	\$ 3,383,729	High	\$ 449,698		\$ -	\$ -
Public Works:	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Administration	\$	-	\$ -	\$ -	\$ 460,379	Low	\$ 29,096	\$ -	\$ -	\$ -		\$ -	\$ -
Engineering	\$	-	\$ -	\$ -	\$ 3,378,102	Low	\$ 213,496	\$ -	\$ -	\$ -		\$ -	\$ -
Special Maintenance	\$	-	\$ -	\$ -	\$ 1,170,469	Low	\$ 73,974	\$ -	\$ -	\$ -		\$ -	\$ -
Development Services Administration	\$	-	\$ -	\$ -	\$ 1,930,458	Low	\$ 122,005	\$ -	\$ -	\$ -		\$ -	\$ -
<b>Total General Government</b>	<b>\$</b>	<b>26,961,793</b>		<b>\$ 1,886,702</b>	<b>\$ 133,581,887</b>		<b>\$ 7,915,368</b>	<b>\$ 94,373,908</b>		<b>\$ 3,047,700</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Public Safety:</b>													
Prosecuting Attorney	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,166,596	Low	\$ 238,110		\$ -	\$ -

General Government:	Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Administration	\$ -		\$ -	\$ 821,755	Low	\$ 51,935			\$ -			\$ -
General Prosecution	\$ -		\$ -	\$ 4,491,781	Low	\$ 283,881			\$ -			\$ -
Police Department	\$ 26,125,581	High	\$ 6,565,359	\$ -		\$ -	\$ 56,597,579	High	\$ 7,521,818			\$ -
Administration	\$ -		\$ -	\$ 4,771,733	High	\$ 1,206,294			\$ -			\$ -
Investigative Service	\$ -		\$ -	\$ 7,355,677	High	\$ 1,859,515			\$ -			\$ -
Uniformed Patrol Services	\$ -		\$ -	\$ 22,434,357	High	\$ 5,671,405			\$ -			\$ -
Technical and Support Services	\$ -		\$ -	\$ 6,994,411	High	\$ 1,768,187			\$ -			\$ -
Fire Department	\$ 23,039,681	High	\$ 5,789,872	\$ -		\$ -	\$ 37,857,106	High	\$ 5,031,209			\$ -
Administrative and Maintenance	\$ -		\$ -	\$ 1,999,189	Mod	\$ 252,697			\$ -			\$ -
Training	\$ -		\$ -	\$ 850,942	Mod	\$ 107,559			\$ -			\$ -
Rescue Operations	\$ -		\$ -	\$ 23,104,872	High	\$ 5,840,912			\$ -			\$ -
Prevention	\$ -		\$ -	\$ 719,445	Mod	\$ 90,938			\$ -			\$ -
Civil Defense Agency	\$ 1,101,194	High	\$ 276,730	\$ 312,954	High	\$ 79,115	\$ 794,324	Mod	\$ 52,783			\$ -
Flood Control - COH							\$ 330,000	Mod	\$ 21,929			
Animal Control - COH							\$ 1,961,875	No	\$ -			
Traffic Engineering - COH							\$ 6,195,597	High	\$ 823,395			
Liquor Control	\$ 849,616	High	\$ 213,509	\$ 2,160,863	High	\$ 546,266	\$ 1,654,886	High	\$ 219,934			\$ -
<b>Total Public Safety</b>	<b>\$ 51,116,072</b>		<b>\$ 12,845,469</b>	<b>\$ 76,017,979</b>		<b>\$ 17,758,704</b>	<b>\$ 112,557,963</b>		<b>\$ 13,909,178</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Public Works:</b>												
Administrative	\$ 455,417	No	\$ -	\$ -		\$ -	\$ 1,320,350	Low	\$ 43,869			\$ -
Fiscal and clerical	\$ 308,086	No	\$ -	\$ -		\$ -			\$ -			\$ -
Plans, survey and construction	\$ 1,449,638	No	\$ -	\$ -		\$ -	\$ 1,224,625	Low	\$ 40,688			\$ -
Auto maintenance and fuel	\$ 375,410	No	\$ -	\$ -		\$ -	\$ 5,267,945	No	\$ -			\$ -
Building division:	\$ -		\$ -	\$ -		\$ -	\$ 5,075,999	Low	\$ 168,650			\$ -
Inspection	\$ 1,731,819	No	\$ -	\$ -		\$ -	\$ 2,034,945	Low	\$ 67,611			\$ -
Repairs and maintenance	\$ 3,026,857	Mod	\$ 380,325	\$ -		\$ -			\$ -			\$ -
Janitorial	\$ 2,816,846	No	\$ -	\$ -		\$ -			\$ -			\$ -
<b>Total Public Works</b>	<b>\$ 10,164,073</b>		<b>\$ 380,325</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 14,923,864</b>		<b>\$ 320,818</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Highways &amp; Streets-Road Maint:</b>												
Roads Administration	\$ 2,213,232	High	\$ 556,185	\$ 4,995,748	High	\$ 1,262,925	\$ 118,567	High	\$ 15,758			\$ -
Hanapepe Baseyard	\$ 1,976,282	High	\$ 496,640	\$ -		\$ -			\$ -			\$ -
Kapaa Baseyard	\$ 1,390,730	High	\$ 349,490	\$ -		\$ -			\$ -			\$ -
Hanalei Baseyard	\$ 984,656	High	\$ 247,444	\$ -		\$ -			\$ -			\$ -
Sign And Roads Marking	\$ 1,330,616	High	\$ 334,384	\$ 916,102	High	\$ 231,591			\$ -			\$ -
Roads Maintenance Other	\$ 2,342,348	High	\$ 588,632	\$ 11,638,179	High	\$ 2,942,132	\$ 11,054,043	High	\$ 1,469,082			\$ -
Auto Maintenance	\$ 2,206,292	High	\$ 554,441	\$ 2,782,622	High	\$ 703,447			\$ -			\$ -
Transportation:												
Administration	\$ -		\$ -	\$ 1,219,713	No	\$ -			\$ -			\$ -
Public Transit	\$ -		\$ -	\$ 9,982,147	High	\$ 2,523,487			\$ -			\$ -
Human Service Transportation	\$ -		\$ -	\$ 5,819,270	Low	\$ 367,778			\$ -			\$ -
MEO Vet 1 Call 1 Click	\$ -		\$ -	\$ 6,562	No	\$ -			\$ -			\$ -
Air Ambulance Program	\$ -		\$ -	\$ 672,215	Low	\$ 42,484			\$ -			\$ -
<b>Total Highways &amp; Streets</b>	<b>\$ 12,444,155</b>		<b>\$ 3,127,216</b>	<b>\$ 38,032,558</b>		<b>\$ 8,073,843</b>	<b>\$ 11,172,610</b>		<b>\$ 1,484,840</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Sanitation:</b>												
Solid Waste Disposal	\$ 6,775,715	High	\$ 1,702,737	\$ -		\$ -	\$ 21,561,718	High	\$ 2,865,552			\$ -
Solid Waste Collections	\$ 3,614,925	High	\$ 908,431	\$ -		\$ -			\$ -			\$ -
Solid Waste Recycling	\$ 1,973,850	High	\$ 496,028	\$ -		\$ -			\$ -			\$ -
Roads Maintenance Other	\$ -		\$ -	\$ -		\$ -			\$ -			\$ -
Auto Maintenance	\$ 413,368	High	\$ 103,879	\$ -		\$ -			\$ -			\$ -
Wastewater	\$ 9,514,978	High	\$ 2,391,114	\$ 24,865,301	High	\$ 6,285,948	\$ 6,916,435	High	\$ 919,194			\$ -
Solid Waste	\$ -		\$ -	\$ 18,572,659	High	\$ 4,695,168	\$ 994,678	High	\$ 132,193			\$ -

General Government:		Visitor	Visitor	Totals		Visitor	Visitor	Totals		Visitor	Visitor	Totals		Visitor	Visitor
		Nexus	Allocation			Nexus	Allocation			Nexus	Allocation			Nexus	Allocation
			25.13%				25.28%				13.29%				8.90%
Environmental Management Administratic															
Total Sanitation															
Culture and Recreation:															
Administrative and fiscal															
Planning and development															
Recreation															
Maintenance															
MCCC Workline															
Lahaina Restoration Foundation															
PALS															
Aquatics															
Beautification															
Auditorium															
Hoolulu Park Complex - COH															
Stadiums															
Community Music - COH															
Zoo/summer/Intercession - COH															
Golf Course															
Total Culture and Recreation															
Public Welfare:															
Housing															
Elderly Affairs															
Education/Cemeteries/Physical Exams															
Transportation															
Social Programs - COH															
Housing and Human Concerns:															
Administration															
Housing															
Affordable Rental Housing Program															
Hale Mahalou - Homeowners/Housing															
Human Concerns - General															
Hana Youth Center, Inc.															
Women Helping Women															
Early Childhood															
Culture and Arts															
Substance Abuse															
E Malama I Na Keiki Preschool															
Homelessness Programs															
Maui Adult Day Care Center															
MCC Cooperative Education															
MEO Headstart After School															
MEO Headstart Summer															
Community Partnership Grants															
Youth Centers															
Lanai Youth Center															
Kihei Youth Center															
Youth															
Maui Family Support Services															
J. Water Cameron Center Expansion															
Big Brothers and Big Sisters															
Mental Health Association															
Seft Sufficiency															
Hana Community Association															

General Government:		Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%		
MEO Infant Toddler Care	\$	-	\$	-	\$ 71,242	No	\$	-	\$	-	\$	-	\$	-	
Maui Community Food Bank	\$	-	\$	-	\$ 334,000	No	\$	-	\$	-	\$	-	\$	-	
Hui Malama Learning Center	\$	-	\$	-	\$ 208,377	No	\$	-	\$	-	\$	-	\$	-	
Family Spt - Teen Voices	\$	-	\$	-	\$ 18,900	No	\$	-	\$	-	\$	-	\$	-	
Boy Scouts of America	\$	-	\$	-	\$ 250,000	No	\$	-	\$	-	\$	-	\$	-	
Salvation Army	\$	-	\$	-	\$ 132,300	No	\$	-	\$	-	\$	-	\$	-	
Community Work Day	\$	-	\$	-	\$ 154,000	No	\$	-	\$	-	\$	-	\$	-	
Grant for Molokai Youth Center	\$	-	\$	-	\$ 193,725	No	\$	-	\$	-	\$	-	\$	-	
Imua Family Services	\$	-	\$	-	\$ 200,000	No	\$	-	\$	-	\$	-	\$	-	
Paia Youth Council, Inc.	\$	-	\$	-	\$ 194,250	No	\$	-	\$	-	\$	-	\$	-	
Boys and Girls Club Maui, Inc.	\$	-	\$	-	\$ 852,034	No	\$	-	\$	-	\$	-	\$	-	
Maui Farm	\$	-	\$	-	\$ 211,095	No	\$	-	\$	-	\$	-	\$	-	
Youth Alcohol Education Awareness	\$	-	\$	-	\$ 130,000	No	\$	-	\$	-	\$	-	\$	-	
Coalition for Drug Free Lanai	\$	-	\$	-	\$ 41,036	No	\$	-	\$	-	\$	-	\$	-	
MEO Enlace Hispano Program	\$	-	\$	-	\$ 91,000	No	\$	-	\$	-	\$	-	\$	-	
Lahaina Tutoring Project	\$	-	\$	-	\$ 920	No	\$	-	\$	-	\$	-	\$	-	
Volunteer Center Project Graduation	\$	-	\$	-	\$ 46,215	No	\$	-	\$	-	\$	-	\$	-	
Ohana Makamae	\$	-	\$	-	\$ 87,808	No	\$	-	\$	-	\$	-	\$	-	
Lanai Women's Center	\$	-	\$	-	\$ 77,641	No	\$	-	\$	-	\$	-	\$	-	
Grants/Disability Services - Frail/Elderly	\$	-	\$	-	\$ 517,886	No	\$	-	\$	-	\$	-	\$	-	
Kansha Preschool	\$	-	\$	-	\$ 8,725	No	\$	-	\$	-	\$	-	\$	-	
Grants - Best Buddies Program	\$	-	\$	-	\$ 75,407	No	\$	-	\$	-	\$	-	\$	-	
Grants - American Red Cross	\$	-	\$	-	\$ 10,593	No	\$	-	\$	-	\$	-	\$	-	
Hawaiian Kamalii Inc.	\$	-	\$	-	\$ 18,128	No	\$	-	\$	-	\$	-	\$	-	
MEO Youth Services	\$	-	\$	-	\$ 180,752	No	\$	-	\$	-	\$	-	\$	-	
Hale Mahaolu Personal Care Program	\$	-	\$	-	\$ 73,764	No	\$	-	\$	-	\$	-	\$	-	
Special Olympics Hawaii Grants	\$	-	\$	-	\$ 36,050	No	\$	-	\$	-	\$	-	\$	-	
Hospice Maui Grants/Disbursements	\$	-	\$	-	\$ 187,500	No	\$	-	\$	-	\$	-	\$	-	
Arts Education/Innovative Program	\$	-	\$	-	\$ 410,800	No	\$	-	\$	-	\$	-	\$	-	
Heritage Hall, Inc.	\$	-	\$	-	\$ 56,070	No	\$	-	\$	-	\$	-	\$	-	
Animal Management	\$	-	\$	-	\$ 1,415,446	No	\$	-	\$	-	\$	-	\$	-	
Grant - Molokai Humane Society	\$	-	\$	-	\$ 9,776	No	\$	-	\$	-	\$	-	\$	-	
Grant - Lanai Animal Rescue	\$	-	\$	-	\$ 9,000	No	\$	-	\$	-	\$	-	\$	-	
Grant - SPCA Maui Snip	\$	-	\$	-	\$ 67,500	No	\$	-	\$	-	\$	-	\$	-	
Public Works:	\$	-	\$	-	\$ -		\$	-	\$	-	\$	-	\$	-	
Special Maintenance	\$	-	\$	-	\$ 92,999	No	\$	-	\$	-	\$	-	\$	-	
<b>Total Public Welfare</b>	<b>\$</b>	<b>10,073,356</b>		<b>\$</b>	<b>1,610,852</b>		<b>\$</b>	<b>32,580,804</b>		<b>\$</b>	<b>1,239,515</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
<b>Debt Service:</b>															
Debt Fund	\$	9,494,226	Mod	\$	1,192,949		\$	-	\$	39,638,084	Mod	\$	2,633,951	\$	-
<b>General Fund Net Transfers-Out:</b>															
Public Access, Open Space	\$	1,610,427	Mod	\$	202,350		\$	-			\$	-		\$	-
Capital Projects - COH								\$	3,704,704	Mod	\$	246,178			-
Committed Reserve & Self Ins.	\$	14,900	No	\$	-		\$	-			\$	-		\$	-
<b>Capital Outlay</b>															
Community Develop Block Grants - COH								\$	2,980,363	No	\$	-			-
Home Program - COH								\$	394,441	No	\$	-			-
Open Space Land Acquisition - COH								\$	6,276,950	Mod	\$	417,103			-
General Government - COH								\$	4,099,203	Mod	\$	272,392			-
Public Safety - COH								\$	(11,648)	Mod	\$	(774)			-
Highways - COH								\$	6,428,694	High	\$	854,373			-
Health Education Welfare - COH								\$	7,900,000	No	\$	-			-
Parks & Recreation - COH								\$	1,759,747	High	\$	233,870			-

General Government:	Totals	Visitor Nexus	Visitor Allocation 25.13%	Totals	Visitor Nexus	Visitor Allocation 25.28%	Totals	Visitor Nexus High	Visitor Allocation 13.29%	Totals	Visitor Nexus	Visitor Allocation 8.90%
Sanitation							\$ (128,813)		\$ (17,119)			
<b>Total General Fund Expenditures</b>	<b>\$ 157,769,811</b>	19.06%	<b>\$ 30,076,408</b>	<b>\$ 337,646,362</b>	15.38%	<b>\$ 51,937,649</b>	<b>\$ 386,564,579</b>	7.99%	<b>\$ 30,888,669</b>	<b>\$ -</b>	#DIV/0!	<b>\$ -</b>

DRAFT

## Advisory Commission on Intergovernmental Relations

### V. ANALYSIS OF BALANCE IN HAWAII'S FISCAL SYSTEM

This chapter presents the results of an analysis of Hawaii's State-local fiscal system. The analysis examines balance in Hawaii's fiscal system from the perspectives of:

- vertical balance: whether the costs of expenditure responsibilities are commensurate with the productivity at reasonable rates of the revenue sources available to each level of government;
- horizontal balance: whether each county has the ability to provide standard service levels at average tax rates;
- the net incidence of the State budget: whether taxes and other revenues collected by the State in a county equal the benefits received in that county from State services; and
- the average resident of each county: whether the typical resident in each county is treated similarly by the overall State-local system.

The conceptual bases for these aspects of fiscal balance are discussed in Chapter IV.<sup>1</sup> The analysis of fiscal balance in Hawaii requires a comprehensive review of the fiscal systems of both the county and State governments. This chapter considers each major revenue source and expenditure program of the State and local governments in the overall fiscal system. The estimates are then aggregated to provide the basis for the analysis of fiscal balance.

Table V.1, lines 1-35, shows the actual amounts of the current-

operating revenues of the county governments, by source, and current-operating expenditures, by type, in fiscal year 1987. The data used in this chapter, unless otherwise noted, are those compiled by the staff of the Tax Foundation of Hawaii, augmented in certain specific instances by information from the budgets and financial reports of the State and county governments.<sup>2</sup> Table V.2 shows the same information on a per capita basis, and Table V.3 shows the percentage distribution among the counties of each type of revenue and expenditure.

These tables show that the property tax is the largest source of revenues in every county, ranging from \$306 per capita in Honolulu, where the tax accounts for 63 percent of the county's own revenues, to \$368 per capita in Hawaii, where it accounts for 74 percent of the county's own revenues. The distribution of collections across counties (Table V.3) tends to be roughly proportional to the resident population, except that Honolulu's share is slightly smaller and all of the Neighbor Islands' somewhat larger. Population is a convenient baseline for comparing the distributions of particular revenue and expenditure categories.

Liquor licenses and fees and State aid are received disproportionately by the Neighbor Islands. Federal aid is received disproportionately by Honolulu, which may have something to do with the State's allocation of a disproportionately small amount of State aid to that County. Not every county receives every type of revenue or makes every type of expenditure. Maui and Kauai, for example, have no revenues from parking meters, and only Honolulu (and Hawaii, to a very minor extent) spends for economic development and mass transit.

Lines 36-39 of tables V.1 and V.2 present, on two different bases, the

overall fiscal position of each county at the end of FY 1987. All of the counties except Maui have surpluses (after including revenue from the State) equivalent to 1-4 percent of their total expenditure. Maui's deficit is almost 5 percent of its total outlays.<sup>3</sup>

Table V.2, which shows the relative magnitudes of county revenues and expenditures adjusted for differences in population, indicates that, after State revenues, Hawaii has the largest surplus (\$22.68). Kauai has the next largest (\$14.52), and Honolulu the smallest (\$9.00). Maui's per capita deficit is \$33.86.

While these tables shed light on the actual policies of the counties and the intergovernmental aid policy of the State in 1987, they tell us little about the fiscal balance among Hawaii's counties and between the counties and the State government. To analyze balance, the accounts must be adjusted to abstract from the differences in the actual policies of the counties. For the analysis of vertical balance, Hawaii's levels of taxation and spending are compared with national averages. For the analysis of horizontal balance, estimates of representative revenues and

1. The term "fiscal balance" is used differently in this report from the way it has been in the recent debate on balance in a state's revenue system—that is, making use of all major revenue sources in certain proportions.

2. Government in Hawaii, 1988: A Handbook of Financial Statistics (1989).

3. The surpluses and deficits shown in Table V.1 include operating revenues and expenditures only. Thus, they do not necessarily correspond to the reported budget surpluses or deficits of the counties in FY 1987. For example, Maui's financial report for FY 1987 shows an excess of sources over uses of financial resources of \$3.6 million in its general and special revenue funds, and an excess of \$12.9 million in its combined funds.

# County Revenues

TABLE V.1 FINANCES OF THE COUNTY GOVERNMENTS IN HAWAII: ACTUAL REVENUES AND EXPENDITURES, BY COUNTY, FISCAL YEAR 1987 (\$ in thousands)

	County				
	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
<b>Actual Revenues</b>					
1. Total	\$680,269	\$510,289	\$62,460	\$73,356	\$34,164
<u>Own Revenue</u>					
2. Subtotal	539,493	405,801	51,722	57,119	24,851
3. Real property tax	346,171	254,316	32,573	42,035	17,247
4. Liquid fuel taxes	25,181	18,903	3,102	2,372	804
5. Utility franchise	15,524	11,336	1,777	1,620	791
6. Motor vehicle weight tax	17,799	12,471	2,221	1,829	1,278
7. Liquor licenses & fees	3,688	1,790	935	616	347
8. Parking meter fees	2,699	2,586	—	112	—
9. Other licenses & permits	11,264	8,179	1,391	1,285	409
10. Fines, forfeits & penalties	614	262	337	15	—
11. Departmental earnings	75,678	59,236	8,310	4,526	3,606
12. Miscellaneous	40,875	36,720	1,077	2,709	369
<u>Intergovernmental Revenue</u>					
13. Subtotal	140,776	104,487	10,738	16,238	9,314
14. Revenue from State, Subtotal	42,018	15,636	10,212	10,559	5,610
15. State grants - Act 155	18,173	7,734	2,994	4,328	3,116
16. -TAT grants	12,009	5,172	2,865	2,100	1,872
17. -all other	11,536	2,453	4,333	4,127	622
18. Hawaii Housing Authority	300	277	19	5	—
19. Federal grants-in-aid	98,758	88,851	526	5,678	3,703
<b>Actual Expenditures</b>					
20. Total	\$672,564	\$502,818	\$65,508	\$70,764	\$33,475
21. General government	72,674	48,661	8,265	9,759	5,989
22. Public safety	164,759	115,022	15,535	25,740	8,462
23. Highways	31,591	19,275	4,800	4,716	2,800
24. Health & sanitation	52,412	43,067	5,026	3,051	1,268
25. Hospitals & institutions	198	—	198	—	—
26. Public welfare	7,512	—	4,353	2,417	742
27. Public schools	551	—	176	254	120
28. Recreation	42,926	30,568	4,163	5,974	2,221
29. Interest	40,951	31,600	2,932	4,983	1,436
30. Bond redemption	22,987	17,665	2,398	1,690	1,233
31. Pension & retirement	51,569	36,837	2,909	8,780	3,043
32. Economic & urban development	19,907	19,907	—	—	—
33. Mass transit	47,837	47,301	—	536	—
34. Miscellaneous	40,755	28,896	4,265	1,823	5,771
35. Cash capital improvements	75,935	64,017	10,487	1,042	389
<u>Actual Net Fiscal Position Without Revenue from the State</u>					
36. Lines 1 - 14 -20	(\$34,313)	(\$8,165)	(\$13,260)	(\$7,967)	(\$4,921)
37. Percent of Total Expenditures	(5.1)	(1.6)	(20.2)	(11.3)	(14.7)
<u>Actual Net Fiscal Position Including Revenue from the State</u>					
38. Lines 1 -20	\$7,705	\$7,471	(\$3,049)	\$2,592	\$690
39. Percent of Total Expenditures	1.1	1.5	(4.7)	3.7	2.1

Source: See text.

# Advisory Commission on Intergovernmental Relations

TABLE V.2 FINANCES OF THE COUNTY GOVERNMENTS IN HAWAII: ACTUAL REVENUES AND EXPENDITURES PER CAPITA, BY COUNTY, FISCAL YEAR 1987

	County				
	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
Resident Population (7/1/87)	1,082,445	830,600	90,045	114,300	47,500
<u>Actual Revenues</u>					
1. Total	\$628.46	\$614.36	\$693.65	\$641.79	\$719.25
<u>Own Revenue</u>					
2. Subtotal	498.40	498.56	574.41	499.73	523.18
3. Real property tax	319.81	306.18	361.74	367.76	363.09
4. Liquid fuel taxes	23.26	22.76	34.45	20.75	16.92
5. Utility franchise	14.34	13.65	19.73	14.17	16.64
6. Motor vehicle weight tax	16.44	15.02	24.67	16.00	26.91
7. Liquor licenses & fees	3.41	2.16	10.38	5.39	7.31
8. Parking meter fees	2.49	3.11	—	0.98	—
9. Other licenses & permits	10.41	9.85	15.44	11.25	8.62
10. Fines, forfeits & penalties	0.57	0.32	3.75	0.13	—
11. Departmental earnings	69.91	71.32	92.28	39.60	75.92
12. Miscellaneous	37.76	44.21	11.97	23.70	7.77
<u>Intergovernmental Revenue</u>					
13. Subtotal	130.05	125.80	119.25	142.06	196.08
14. Revenue from State, Subtotal	38.82	18.83	113.41	92.38	118.11
15. State grants - Act 155	16.79	9.31	33.26	37.86	65.61
16. -TAT grants	11.09	6.23	31.82	18.37	39.41
17. -all other	10.66	2.95	48.13	36.11	13.10
18. Hawaii Housing Authority	0.28	0.33	0.21	0.04	—
19. Federal grants-in-aid	91.24	106.97	5.84	49.68	77.96
<u>Actual Expenditures</u>					
20. Total	\$621.34	\$605.37	\$727.51	\$619.11	\$704.73
21. General government	67.14	58.59	91.79	85.38	126.09
22. Public safety	152.21	138.48	172.53	225.20	178.14
23. Highways	29.19	23.21	53.31	41.26	58.94
24. Health & sanitation	48.42	51.85	55.82	26.69	26.70
25. Hospitals & institutions	0.18	—	2.20	—	—
26. Public welfare	6.94	—	48.35	21.14	15.63
27. Public schools	0.51	—	1.96	2.23	2.54
28. Recreation	39.66	36.80	46.24	52.26	46.75
29. Interest	37.83	38.05	32.56	43.60	30.24
30. Bond redemption	21.24	21.27	26.63	14.79	25.96
31. Pension & retirement	47.64	44.35	32.30	76.61	64.07
32. Economic & urban development	18.39	23.97	—	—	—
33. Mass transit	44.19	56.95	—	4.69	—
34. Miscellaneous	37.65	34.79	47.37	15.95	121.49
35. Cash capital improvements	70.15	77.07	116.47	9.12	8.19
<u>Actual Net Fiscal Position Without Revenue from the State</u>					
36. Lines 1 - 14 - 20	(\$31.70)	(\$9.83)	(\$147.26)	(\$69.70)	(\$103.59)
<u>Actual Net Fiscal Position Including Revenue from the State</u>					
37. Lines 1 - 20	\$7.12	\$9.00	(\$33.86)	\$22.68	\$14.52

Source: Table V.1 and Department of Business and Economic Development, State of Hawaii, Quarterly Statistical & Economic Report.



TABLE V.3 FINANCES OF THE COUNTY GOVERNMENTS IN HAWAII: PERCENTAGE DISTRIBUTIONS OF ACTUAL REVENUES AND EXPENDITURES, BY COUNTY, FISCAL YEAR 1987

	Total	County			
		Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
Resident Population (7/1/87)	100.0%	76.7%	8.3%	10.6%	4.4%
<u>Actual Revenues</u>					
1. Total	100.0	75.0	9.2	10.8	5.0
<u>Own Revenue</u>					
2. Subtotal	100.0	75.2	9.6	10.6	4.6
3. Real property tax	100.0	73.5	9.4	12.1	5.0
4. Liquid fuel taxes	100.0	75.1	12.3	9.4	3.2
5. Utility franchise	100.0	73.0	11.4	10.4	5.1
6. Motor vehicle weight tax	100.0	70.1	12.5	10.3	7.2
7. Liquor licenses & fees	100.0	48.5	25.3	16.7	9.4
8. Parking meter fees	100.0	95.8	—	4.2	—
9. Other licenses & permits	100.0	72.6	12.3	11.4	3.6
10. Fines, forfeits & penalties	100.0	42.7	55.0	2.4	—
11. Departmental earnings	100.0	78.3	11.0	6.0	4.8
12. Miscellaneous	100.0	89.8	2.6	6.6	0.9
<u>Intergovernmental Revenue</u>					
13. Subtotal	100.0	74.2	7.6	11.5	6.6
14. Revenue from State, Subtotal	100.0	37.2	24.3	25.1	13.4
15. State grants -Act 155	100.0	42.6	16.5	23.8	17.1
16. -TAT grants	100.0	43.1	23.9	17.5	15.6
17. -all other	100.0	21.3	37.6	35.8	5.4
18. Hawaii Housing Authority	100.0	92.3	6.2	1.5	—
19. Federal grants-in-aid	100.0	90.0	0.5	5.7	3.7
<u>Actual Expenditures</u>					
20. Total	100.0	74.8	9.7	10.5	5.0
21. General government	100.0	67.0	11.4	13.4	8.2
22. Public safety	100.0	69.8	9.4	15.6	5.1
23. Highways	100.0	61.0	15.2	14.9	8.9
24. Health & sanitation	100.0	82.2	9.6	5.8	2.4
25. Hospitals & institutions	100.0	—	100.0	—	—
26. Public welfare	100.0	—	58.0	32.2	9.9
27. Public schools	100.0	—	32.0	46.2	21.9
28. Recreation	100.0	71.2	9.7	13.9	5.2
29. Interest	100.0	77.2	7.2	12.2	3.5
30. Bond redemption	100.0	76.9	10.4	7.4	5.4
31. Pension & retirement	100.0	71.4	5.6	17.0	5.9
32. Economic & urban development	100.0	100.0	—	—	—
33. Mass transit	100.0	98.9	—	1.1	—
34. Miscellaneous	100.0	70.9	10.5	4.5	14.2
35. Cash capital improvements	100.0	84.3	13.8	1.4	0.5

Source: Tables V.1 and V.2.

expenditures are the bases for comparisons among the counties.

### *Analysis of Vertical Balance*

Hawaii's fiscal system can be said to be vertically balanced if the revenue-raising authority and service responsibilities assigned to each level of government (State and county) are roughly commensurate, without revenue rates or service levels being unusually high or low.

Year-end surpluses or deficits provide a simple measure of vertical balance. In FY 1987, the county governments as a group have an operating surplus of \$8 million, and the State a surplus of \$78 million. While this would seem to indicate an imbalance of revenues over expenditures at both the State and county levels, it is not possible to draw this conclusion without examining tax and service levels. Also, balanced-budget requirements, by stipulating that revenues meet or exceed expenditures every fiscal year, obscure the relevance of observed budgetary outcomes to an evaluation of vertical balance.

Table V.4 summarizes the finances of Hawaii's State and county governments in FY 1987, per capita and per \$1,000 personal income, compared with national averages.<sup>4</sup> This information provides a basis for determining whether Hawaii's revenue or spending levels, either State or local, differ substantially from national averages.

The table indicates that many of the State government's revenue and expenditure levels differ significantly from national averages. In fact, several of the categories differ by 100 percent or more. For example, the State's collections of general sales taxes (the general excise tax) are about 230 percent of the national average, while State spending on the

environment and housing is over 260 percent of the average. Outlays for primary and secondary education, of course, differ greatly from the average because this service is delivered and partially financed by local governments elsewhere in the nation. In total, both State revenues and State expenditures are above the national average: State revenues are around 40 percent above, while State expenditures are more than 30 percent above average.

For local revenues and expenditures, however, the picture is the opposite. While also varying from national averages by significant amounts, almost all categories of revenues and expenditures of the counties are below the averages, with the major exceptions of motor vehicle fuel and license taxes and outlays for environment and housing. Total local revenues and total local expenditures are well below national averages, with revenues roughly at 38 percent, and expenditures around 40 percent.

Caution must be used in attributing significance to a comparison of Hawaii's revenue and expenditure levels with those of other states or national averages because state and local governments divide functional responsibilities differently. In Hawaii, in particular, the State performs a number of functions—most notably, elementary and secondary education, but also public welfare and health and hospitals—that, in other states, are to a much greater extent the responsibility of local governments. Thus, it is not surprising that the overall levels of State revenues and expenditures in Hawaii are higher than the national averages, and that local revenues and expenditures are lower.

For the State and local governments combined, Table V.4 shows that Hawaii still deviates substantially from the national average in many categories of revenues and expenditures, although

the variations are generally not as extreme as for the State and local governments separately. For example, when both State and local general sales taxes are considered, the ratio of Hawaii's GET collections to the national average drops from 230 percent to 190 percent.

Hawaii's level of spending on primary and secondary education is less than 75 percent of the national average on either a per capita or personal income basis. Overall, both collections and expenditures are higher than the national average, but expenditures are within 5 percent of the national average and revenues are within 7 percent.

State-local fiscal systems also differ because of disparities in revenue bases and expenditure needs. Table V.5 shows Hawaii's State and local expenditures in FY 1987 as percentages of the U.S. average, after adjustment for differences in workloads and input costs among the States.

For example, Hawaii has a smaller workload for primary and secondary education than the average state. Thus, its expenditures rise to 86 percent of the national average when adjusted for workload. Similarly, for the categories of public welfare, health and hospitals, highways, and police and corrections, Hawaii's per capita workloads are smaller than the U.S. average.

Thus, in the categories of public welfare, health and hospitals, and

---

4. To ensure comparability between revenue and expenditure categories in Hawaii and the nation as a whole, data used in this table are those of the U.S. bureau of Census. The classification system used by Census differs somewhat from the actual accounting systems used by the governments in Hawaii and that of the Tax Foundation of Hawaii used elsewhere in this chapter.

# County Revenues

TABLE V.4 FINANCES OF THE STATE AND COUNTY GOVERNMENTS IN HAWAII COMPARED WITH U.S. AVERAGES, PER CAPITA AND AS PERCENTAGES OF PERSONAL INCOME, GENERAL REVENUES AND EXPENDITURES, FISCAL YEAR 1987

	State & Counties		State	Counties		
	Per Capita	Personal Income	Per Capita	Personal Income	Per Capita	Personal Income
	(1)	(2)	(3)	(4)	(5)	(6)
General Revenues						
Total	107.3%	106.0%	141.4%	139.7%	38.7%	38.2%
Intergovernmental	103.3	102.1	94.4	93.2	24.3	24.0
Federal	103.3	102.1	100.2	99.0	118.4	117.0
State	---	---	---	---	10.9	10.7
Revenue from Own Sources	119.9	118.5	158.9	157.0	31.3	30.9
Property Taxes	64.2	63.4	---	---	66.7	65.9
General Sales Taxes	189.9	187.6	230.8	228.0	---	---
Motor Vehicle Fuel & License Taxes	100.1	98.9	61.5	60.8	969.2	957.2
Income Taxes	131.1	129.4	144.2	142.4	---	---
Other Taxes	89.6	88.5	104.1	102.8	45.3	44.8
Current Charges	103.8	102.5	236.0	233.1	26.1	25.8
Interest Earnings	104.4	103.1	164.8	162.8	41.3	40.8
All Other	31.4	31.0	44.4	43.8	20.6	20.3
General Expenditures						
Total	105.2	103.9	133.2	131.5	40.7	40.2
Intergovernmental	34.0	33.6	7.0	6.9	---	---
Education	81.4	80.4	299.3	295.6	---	---
Primary & Secondary	73.8	72.9	8,888.7	8,779.2	---	---
Higher	108.9	107.6	129.4	127.8	---	---
Public Welfare	86.7	85.6	111.7	110.4	5.9	5.9
Health & Hospitals	79.2	78.2	161.5	159.5	3.9	3.9
Highways	63.7	62.9	66.9	66.1	58.9	58.1
Police & Corrections	106.2	104.9	135.7	134.1	90.4	89.2
Environment & Housing	154.1	152.2	265.4	262.1	125.7	124.2
Interest on General Debt	141.1	139.4	250.9	247.8	53.3	52.7
Governmental Administration	145.8	144.0	244.5	241.5	84.8	83.7
All Other	61.3	60.6	55.8	55.1	80.5	79.5

Sources: U.S. Bureau of the Census, Government Finances in 1986-87 (November 1988), pp. 46 and 58; and Survey of Current Business (April 1989), pp. 44 and 47.

TABLE V.5 ACTUAL DIRECT GENERAL EXPENDITURES OF THE STATE AND COUNTY GOVERNMENTS IN HAWAII AS PERCENTAGES OF REPRESENTATIVE EXPENDITURES ADJUSTED FOR INPUT-COST DIFFERENCES BY FUNCTION, FY1987

Function	Percentage
Total	117.6%
Primary and Secondary Education	86.3
Higher Education	106.5
Public Welfare	106.8
Health & Hospitals	94.7
Highways	86.8
Police and Corrections	123.7
Environment and Housing	155.8
Interest on General Debt	141.1
Governmental Administration	149.0
All Other	165.2

Source: Robert W. Rafuse, Jr., Representative Expenditures: Addressing the Neglected Dimension of Fiscal Capacity (Advisory Commission on Intergovernmental Relations), forthcoming in 1989.

highways where Hawaii is below average in spending on a per capita and personal-income basis, adjusting for workload raises the State closer to the national average (above the average in the case of public welfare). For the function of police and corrections, where Hawaii is spending above average on a per capita and personal income basis, spending by the State's governments is even higher compared with that of other states when adjusted for workload.

To the extent that comparisons with national averages can be vested with significance, a few conclusions about Hawaii's fiscal system are suggested. On the revenue side, the property tax is significantly underused, while general sales and income taxes are overused. On the expenditure side, outlays are substantially higher than national averages for environment and housing, interest on general debt,

governmental administration and, to a lesser extent, higher education and police and corrections. When allowance is made for relative needs for each function, expenditures for public welfare also exceed the U.S. average. For the most part, the functions for which expenditures exceed national averages are largely the responsibility of the State government.

Taken together, these findings suggest a basis for a weak finding of vertical imbalance in Hawaii's system to the disadvantage of the State government. This conclusion is based generally on the findings that the State is using its major taxes at well-above-average rates to fund above-average service levels, while the counties have unutilized potential in their major revenue source, the property tax, and service responsibilities considerably below national averages. The existence of a structural surplus in the State

budget is not inconsistent with this finding of vertical imbalance; rather, it suggests that there is room to mitigate the vertical imbalance.

The State's strikingly low level of spending for elementary and secondary education by all three measures considered in this section is the major anomaly in this picture. It has been suggested that the absence of a property-tax contribution to the financing of education may have something to do with this low level of fiscal effort.

#### *Analysis of Horizontal Balance*

The approach used in this chapter to evaluate horizontal fiscal balance among Hawaii's counties is based on the "representative" revenue and expenditure methods.<sup>5</sup> Together, these methods generate a measure of the fiscal capacity of a government--its potential ability to raise revenues relative to the cost of its public service responsibilities.

Estimates of representative revenues and expenditures for the four county governments abstract from the current policies of any one of those governments. The estimates, instead, reflect the underlying economic and demographic factors that determine revenue-raising ability and expenditure needs in conjunction with the average, or representative, policies of all the counties as a group. Once the fiscal positions of the counties are estimated in this manner, their relative positions can be analyzed to determine the extent of horizontal balance or imbalance among them.

5. On the representative revenue and expenditure methods, see Advisory Commission on Intergovernmental Relations, 1986 State Fiscal Capacity and Effort, Report No. M-165 (February 1989); and Rafuse, *op. cit.*

The analysis of representative revenues and expenditures is static, providing estimates of fiscal capacity for a particular time period. This analysis considers fiscal year 1987 because it is the most recent year for which actual fiscal data and necessary economic and demographic data are available. Thus, throughout this analysis all references are to fiscal year 1987, unless otherwise noted.

The usual caveats apply when interpreting the significance of the results of a static analysis. The results necessarily relate to a single year within the longer-term economic cycle, they may be distorted by one-time developments in that year, and they do not reflect policy changes since 1987.

The following sections review the methods used to develop the estimates of representative revenues and expenditures. The estimates relate to the relative abilities of the counties to provide statewide average levels of services at average levels of taxation. Estimates are developed for each of the major county revenue sources and expenditure categories. An analysis of the implications of the resulting estimates for horizontal balance follows.

### *Representative Revenues*

For each major revenue source of the counties, the potential, or representative, yield of that source at statewide average effort is estimated for each county. This is accomplished by applying the statewide average effective "rate" to estimates of a uniformly defined "base" in each county. The resulting yield is the amount a county could raise if it were to adopt the average, or representative, revenue policy.<sup>6</sup> In other words, the estimated yields reflect the capacity of each county to raise revenue from that source,

assuming the same policy and quality of administration in every county.

The revenue "base" used for this calculation is intended to approximate the distribution among the counties of the statutory base on which the tax or charge is actually levied. However, it abstracts from actual county policy to the extent that elements of that policy—such as exemptions—understate (or overstate) the base that is potentially taxable. The representative base should not match a particular jurisdiction's policy because a government should not be able to influence its measured capacity, for example, by changing its statutory base. In choosing among available indicators of a tax base, the overriding consideration is that the one selected best reflect the relative potential yield of the revenue source across the counties, since the distribution of the tax base among the counties determines their relative abilities to raise that type of revenue.

In general, the variables selected to measure the bases, or relative abilities of the counties to raise revenues from each source, are comprehensive measures of what could be taxed, subject only to the constraints of federal and State policy applicable to all the counties.<sup>7</sup> In most cases, the variable is, or is close to, an actual tax base. For example, the representative base for county liquid fuel taxes is gallons of liquid fuel purchased for highway use.

In a few cases, however, the best indicator is a variable that would not be used as a statutory tax base, but whose distribution nevertheless approximates the relative distribution among the counties of the revenues that could be raised at any given rate. The use of resident population as the base for licenses and permits is an example. Once the base is chosen,

6. The estimated yields abstract from the actual policy and yield of the revenue source in any individual county, though—as the rate is the statewide average for all counties—the yield is influenced indirectly by the policy of each county. Because there are so few counties in Hawaii, this indirect relationship is stronger than it would be in other states.

7. In the Representative Tax System (RTS) from which this approach is derived, the concept of a representative tax base is defined slightly differently. The bases in that system are sometimes chosen to represent the average actual tax policy choices—including major exemptions—of the states and their local governments, rather than comprehensive measures of what could be taxed. Thus, in the RTS, a representative tax base is one that incorporates state or local tax policy prevailing in more than half of the states actually relying on the source, or in states that include more than 50 percent of the population of the jurisdictions using the revenue source.

This definition presents problems in Hawaii, however. If the "50-percent rule" were applied, Honolulu's policy would always be "representative" because its population accounts for over 3/4 of the total population in the state. This would conflict with the principle of abstracting from any one county's actual policies. If "representative" were defined as prevalent, so that a policy in use in a majority (three or more) of the counties defined the base, it would be possible to have a situation where the "representative" policy was different from the actual policy affecting the vast majority of the population. In short, because of the small number of counties and the population distribution in Hawaii, neither of these options is satisfactory.

The definition of a representative base as one that comprehensively measures what could be taxed is consistent with the concept of the RTS. The RTS attempts to measure the relative revenue-raising ability of governments from all potential sources of revenue. What distinguishes the representative approach from other measures of revenue-raising capacity is the identification of separate tax bases and the assignment to them of different weights (determined by the actual revenues derived from each source, which—in turn—determine the average effective rates to be applied to the bases). Using a comprehensive, rather than a narrower, measure of what could be taxed meets all these criteria and has the additional advantage of being simpler to understand and operationalize.

the representative rate is determined by dividing total actual revenues from the source by the total base for all the counties. To the extent that the representative base is broader (or narrower) than the statutory base actually used by the counties, the representative rate will be lower (or higher) than the average actual tax rate.

The estimates of representative revenues are shown in lines 1-19 of Table V.6. The percentage distributions of the representative revenues among the counties are presented in the same line of Table V.7, and the representative estimates are compared with actual revenues in Table V.8. Appendix V-1 describes the major revenue sources used by Hawaii's county governments in 1987 and, for each, identifies the base and source of the data used to calculate the representative yields.

For example, the base used to estimate the potential yield of the property tax in each county is the gross assessed value of land and improvements net of the assessed value of federal and State property. Table V.7 shows the percentage distribution of this tax base and the estimated revenue yield among the counties. For this and most of the other revenue sources, Honolulu's share of the total statewide revenue yield is smaller than its share of resident population. In other words, Honolulu's shares of the tax bases are such that it would collect a smaller amount per resident than would the Neighbor Island counties if all used the same tax rates.

In contrast, Maui and Kauai would collect far larger shares of property tax and other revenues than their respective shares of the total population. Hawaii's shares of the property tax and other revenue bases

are slightly higher than its share of resident population.

When the distribution of total revenue is compared with de facto population rather than resident population, the pattern among the counties is the same, but the gaps between revenue shares and population shares are narrowed for all counties except Hawaii. Examples of cases where the distribution of potential yields shows a different pattern are fines, forfeits, and penalties and miscellaneous revenues, for which personal income is the base, and intergovernmental revenues, where actual revenues are used.

#### *Representative Expenditures*

The cost to each county of providing the statewide average level of public services for which the counties are responsible under State law or the counties elect, on average as a group, to provide under county law is estimated by the representative expenditure method.<sup>8</sup>

The approach involves identifying a "workload" measure for each major category of expenditures. The measure indicates the approximate scope of the service that must be provided, or the relative "need" for the service, by county. The percentage distribution of the workload measure among the counties for a service is then applied to the statewide total of county expenditures for that function. This produces an estimate of the representative expenditure level, or the cost of providing the statewide average level of the service, in each county.

Three important assumptions underlie the approach. The first is that all four county governments operate at comparable efficiency (that is, that the real resource cost of producing a unit of a given service is the same in all counties). Second, the approach assumes that the unit cost

of producing different quantities of the service is constant (that there are no economies or diseconomies of scale in the production of the service). There is little or no evidence in Hawaii to support any other assumptions. If economies of scale do exist, however, the much-larger scale of production in Honolulu means that this approach tends to overestimate the cost of services in Honolulu relative to the other counties.

Finally, the approach assumes that the prices of the goods and services the counties buy do not vary significantly among the islands. Uniformity of input prices is an especially reasonable premise in Hawaii because the major factor used to produce public services--labor--is uniformly priced in all counties as a result of statewide collective bargaining.

The expenditure categories, workload measures, and data used to calculate the estimates of representative expenditures are detailed in Appendix V-2. The estimates, their percentage distributions among the counties, and comparisons with actual expenditures are shown in lines 20-35 of tables V.6, V.7, and V.8.

Many of the workload measures used in the estimation of representative expenditures incorporate the concept of de facto population as the service population. For example, for recreation and health and sanitation, de facto population is the workload measure. For public safety and mass transit, de facto population is combined with other variables in the workload measure.

The workload measures for highways, public schools (bus service),

8. The basic concepts underlying this method are outlined in Chapter IV.

# County Revenues

TABLE V.6 FINANCES OF THE COUNTY GOVERNMENTS IN HAWAII: ESTIMATES OF REPRESENTATIVE REVENUES AND EXPENDITURES, BY COUNTY, FISCAL YEAR 1987 (\$ in thousands, except per capita)

	County				
	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
<b>Actual Revenues</b>					
1. Total	\$680,269	\$489,324	\$78,823	\$73,895	\$38,228
Own Revenue					
2. Subtotal	539,493	384,836	68,086	57,658	28,915
3. Real property tax	346,171	240,900	48,845	37,260	19,167
4. Liquid fuel taxes	25,181	17,473	2,834	3,380	1,494
5. Utility franchise	15,524	11,367	1,708	1,619	830
6. Motor vehicle weight tax	17,799	12,638	2,017	2,131	1,014
7. Liquor licenses & fees	3,688	2,275	577	525	311
8. Parking meter fees	2,699	1,938	302	313	146
9. Other licenses & permits	11,264	8,643	937	1,189	494
10. Fines, forfeits & penalties	614	493	47	52	23
11. Departmental earnings	75,678	56,272	7,712	7,756	3,938
12. Miscellaneous	40,875	32,837	3,107	3,433	1,498
Intergovernmental Revenue					
13. Subtotal	140,776	104,487	10,738	16,238	9,314
14. Revenue from State, Subtotal	42,018	15,636	10,212	10,559	5,610
15. State grants - Act 155	18,173	7,734	2,994	4,328	3,116
16. - TAT grants	12,009	5,172	2,865	2,100	1,872
17. - all other	11,536	2,453	4,333	4,127	622
18. Hawaii Housing Authority	300	277	19	5	—
19. Federal grants-in-aid	98,758	88,851	526	5,678	3,703
<b>Actual Expenditures</b>					
20. Total	\$672,564	\$493,507	\$66,018	\$79,383	\$33,653
21. General government	72,674	55,765	6,046	7,674	3,189
22. Public safety	164,759	119,812	16,539	20,751	7,657
23. Highways	31,591	20,348	3,857	5,223	2,163
24. Health & sanitation	52,412	38,972	5,341	5,372	2,727
25. Hospitals & institutions	198	152	15	23	8
26. Public welfare	7,512	5,621	614	936	340
27. Public schools	551	51	101	346	53
28. Recreation	42,926	31,918	4,374	4,399	2,234
29. Interest	40,951	30,450	4,173	4,197	2,131
30. Bond redemption	22,987	17,092	2,343	2,356	1,196
31. Pension & retirement	51,569	39,571	4,290	5,445	2,263
32. Economic & urban development	19,907	13,759	1,907	3,213	1,028
33. Mass transit	47,837	32,260	5,291	7,362	2,925
34. Miscellaneous	40,755	31,273	3,390	4,303	1,788
35. Cash capital improvements	75,935	56,463	7,738	7,783	3,951
<b>Representative Fiscal Position Without Revenue from the State</b>					
36. Lines 1 - 14 - 20	(\$34,313)	(\$19,820)	\$2,592	(\$16,048)	(\$1,036)
37. Per Capita	(\$31.70)	(\$23.86)	\$28.79	(\$140.40)	(\$21.80)
38. Percent of Total Expenditures	(5.1)	(4.0)	3.9	(20.2)	(3.1)
<b>Representative Fiscal Position With Actual Revenue from the State</b>					
39. Lines 1 - 20	\$7,705	(\$4,184)	\$12,804	(\$5,488)	\$4,575
40. Per Capita	\$7.12	(\$5.04)	\$142.20	(\$48.02)	\$96.31
41. Percent of Total Expenditures	1.1	(0.8)	19.4	(6.9)	13.6

Source: See text.

*Advisory Commission on Intergovernmental Relations*

**TABLE V.7 FINANCES OF THE COUNTY GOVERNMENTS IN HAWAII: PERCENTAGE DISTRIBUTIONS OF REPRESENTATIVE REVENUES AND EXPENDITURES, BY COUNTY, FISCAL YEAR 1987**

	Total	County			
		Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
Resident Population (7/1/87)	100.0%	76.7%	8.3%	10.6%	4.4%
De Facto Population (1987)	100.0%	74.4%	10.2%	10.2%	5.2%
<u>Actual Revenues</u>					
1. Total	100.0	71.9	11.6	10.9	5.6
<u>Own Revenue</u>					
2. Subtotal	100.0	71.3	12.6	10.7	5.4
3. Real property tax	100.0	69.6	14.1	10.8	5.5
4. Liquid fuel taxes	100.0	69.4	11.3	13.4	5.9
5. Utility franchise	100.0	73.2	11.0	10.4	5.3
6. Motor vehicle weight tax	100.0	71.0	11.3	12.0	5.7
7. Liquor licenses & fees	100.0	61.7	15.6	14.2	8.4
8. Parking meter fees	100.0	71.8	11.2	11.6	5.4
9. Other licenses & permits	100.0	76.7	8.3	10.6	4.4
10. Fines, forfeits & penalties	100.0	80.3	7.6	8.4	3.7
11. Departmental earnings	100.0	74.4	10.2	10.2	5.2
12. Miscellaneous	100.0	80.3	7.6	8.4	3.7
<u>Intergovernmental Revenue</u>					
13. Subtotal	100.0	74.2	7.6	11.5	6.6
14. Revenue from State, Subtotal	100.0	37.2	24.3	25.1	13.4
15. State grants - Act 155	100.0	42.6	16.5	23.8	17.1
16.     - TAT grants	100.0	43.1	23.9	17.5	15.6
17.     - all other	100.0	21.3	37.6	35.8	5.4
18. Hawaii Housing Authority	100.0	92.3	6.2	1.5	--
19. Federal grants-in-aid	100.0	90.0	0.5	5.7	3.7
<u>Actual Expenditures</u>					
20. Total	100.0	73.4	9.8	11.8	5.0
21. General government	100.0	76.7	8.3	10.6	4.4
22. Public safety	100.0	72.7	10.0	12.6	4.6
23. Highways	100.0	64.4	12.2	16.5	6.8
24. Health & sanitation	100.0	74.4	10.2	10.2	5.2
25. Hospitals & institutions	100.0	76.7	7.6	11.6	4.0
26. Public welfare	100.0	74.8	8.2	12.5	4.5
27. Public schools	100.0	9.3	18.3	62.8	9.6
28. Recreation	100.0	74.4	10.2	10.2	5.2
29. Interest	100.0	74.4	10.2	10.2	5.2
30. Bond redemption	100.0	74.4	10.2	10.2	5.2
31. Pension & retirement	100.0	76.7	8.3	10.6	4.4
32. Economic & urban development	100.0	69.1	9.6	16.1	5.2
33. Mass transit	100.0	67.4	11.1	15.4	6.1
34. Miscellaneous	100.0	76.7	8.3	10.6	4.4
35. Cash capital improvements	100.0	74.4	10.2	10.2	5.2

Source: Tables V.2 and V.6.



TABLE V.8 FINANCES OF THE COUNTY GOVERNMENTS IN HAWAII: ACTUAL REVENUES AND EXPENDITURES AS PERCENTAGES OF REPRESENTATIVE, BY COUNTY, FISCAL YEAR 1987

	County				
	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
<u>Representative Revenues</u>					
1. Total	100.0%	104.3%	79.2%	99.3%	89.4%
<u>Own Revenue</u>					
2. Subtotal	100.0	105.4	76.0	99.1	85.9
3. Real property tax	100.0	105.6	66.7	112.8	90.0
4. Liquid fuel taxes	100.0	108.2	109.5	70.2	53.8
5. Utility franchise	100.0	99.7	104.0	100.1	95.2
6. Motor vehicle weight tax	100.0	98.7	110.1	85.8	126.1
7. Liquor licenses & fees	100.0	78.7	162.0	117.3	111.6
8. Parking meter fees	100.0	133.5	**	35.9	**
9. Other licenses & permits	100.0	94.6	148.4	108.1	82.9
10. Fines, forfeits & penalties	100.0	53.1	723.0	28.1	**
11. Departmental earnings	100.0	105.3	107.7	58.4	91.6
12. Miscellaneous	100.0	111.8	34.7	78.9	24.6
<u>Intergovernmental Revenue</u>					
13. Subtotal	100.0	100.0	100.0	100.0	100.0
14. Revenue from State, Subtotal	100.0	100.0	100.0	100.0	100.0
15. State grants - Act 155	100.0	100.0	100.0	100.0	100.0
16. -TAT grants	100.0	100.0	100.0	100.0	100.0
17. -all other	100.0	100.0	100.0	100.0	100.0
18. Hawaii Housing Authority	100.0	100.0	100.0	100.0	**
19. Federal grants-in-aid	100.0	100.0	100.0	100.0	100.0
<u>Representative Expenditures</u>					
20. Total	100.0	101.9	99.2	89.1	99.5
21. General government	100.0	87.3	136.7	127.2	187.8
22. Public safety	100.0	96.0	93.9	124.0	110.5
23. Highways	100.0	94.7	124.4	90.3	129.4
24. Health & sanitation	100.0	110.5	94.1	56.8	46.5
25. Hospitals & institutions	100.0	**	1,320.4	**	**
26. Public welfare	100.0	**	708.9	258.1	218.1
27. Public schools	100.0	**	174.3	73.5	227.2
28. Recreation	100.0	95.8	95.2	135.8	99.4
29. Interest	100.0	103.8	70.3	118.7	67.4
30. Bond redemption	100.0	103.4	102.4	71.7	103.1
31. Pension & retirement	100.0	93.1	67.8	161.2	134.5
32. Economic & urban development	100.0	144.7	**	**	**
33. Mass transit	100.0	146.6	**	7.3	**
34. Miscellaneous	100.0	92.4	125.8	42.4	322.8
35. Cash capital improvements	100.0	113.4	135.5	13.4	9.8
<u>Actual Net Fiscal Position as Percentage of Representative Net Fiscal Position Without Revenue from the State</u>					
36. Lines 1 - 14 - 20	100.0%	41.2%	-511.5%	49.6%	475.1%
<u>Actual Net Fiscal Position as Percentage of Representative Net Fiscal Position With Actual Revenue from the State</u>					
37. Lines 1 - 20	100.0%	-178.8%	-23.8%	-47.2%	15.1%

\*\* Actual revenues or expenditures are zero.

Source: Tables V.1 and V.6.

economic and urban development, and mass transit have components relating to service area. Thus the distributions of representative expenditures for these services show significantly different patterns from those for most of the others.

The percentage distributions of total expenditure needs in Table V.7 correspond more closely to the county shares of *de facto* population than to resident population. Table V.7 shows that, while Honolulu's share of potential revenues is smaller than its share of population, its share of expenditure needs—although larger—is also smaller than its population share. Similarly, the expenditure needs of Maui and Kauai are higher than their respective shares of resident population and closer to their shares of *de facto* population. Hawaii's expenditure needs exceed its share of both population measures by significant amounts.

#### *Implications of the Estimates for Horizontal Balance*

Lines 36-41 of Table V.6 provide the information necessary to analyze the horizontal balance of county finances. According to these estimates, in aggregate the counties would be in a deficit position of \$34 million (\$32 per capita) if they financed the statewide average level of county services using only county revenue sources and federal intergovernmental revenue (that is, if they received no State aid).

Of the four counties, three would be in deficit in the absence of State aid. The deficits would be \$19.8 million (\$24 per capita) for Honolulu, \$16 million (\$140 per capita) for Hawaii, and \$1 million (\$22 per capita) for Kauai. Maui would enjoy a surplus of \$2.6 million (\$29 per capita, nearly 4 percent of its representative expenditures).

To put it another way, the public expenditures needed in each county (except Maui) to provide average service levels would exceed the amount of revenue those counties could raise at average tax rates, given their underlying tax bases, need for services, and existing federal aid. Maui, on the other hand, could provide average services with average taxes without any State aid.

Lines 39-41 show that, after State aid, the counties collectively experienced a surplus of \$7.7 million, \$7 per capita, or 1.1 percent of aggregate county budgets.

The key issue for this analysis is the relative position of the counties after State aid. Honolulu and Hawaii remain in a deficit position, Honolulu by about \$4.2 million (\$5 per capita, 0.8 percent of total expenditures) and Hawaii by about \$5.5 million (\$48 per capita, 6.9 percent of its expenditures). In other words, even after the State aid, Honolulu and Hawaii could not provide average levels of service with average taxes.

On the other hand, Maui's surplus, which is \$2.6 million before State aid, increases to \$12.8 million (\$142 per capita), and Kauai goes from a deficit to a surplus of \$4.6 million (\$96 per capita). Maui and Kauai, in other words, could provide service levels substantially higher than average (19 percent and 14 percent, respectively) with average tax rates, or average levels of services at tax rates comparably below average.

The actual amounts raised and spent by each county are compared with the representative amounts in Table V.8. This table shows that, in fact, Maui and Kauai provide services very close to average with significantly below-average taxes. Hawaii taxes at near-average levels and provides a level of services more than 10 percent below average. Honolulu both taxes and

provides services at slightly above-average levels.

Thus the analysis of representative revenues and expenditures indicates that, in terms of county finances before State aid, Hawaii's fiscal system is not horizontally balanced. Lines 36-41 of Table V.6 show that the State aid received by the counties does not eliminate the imbalances. In fact, in the case of Maui the aid is disequalizing—going to a county that could, with its own resources, provide average levels of services and taxes, rather than to the other counties, which could not. Whether these imbalances exceed acceptable levels of imbalance is a matter for State policymakers to decide. Chapter VIII presents options, including better targeting of State aid, for mitigating or eliminating the horizontal imbalance among the counties, should this be determined to be desirable.

#### *Analysis of the Net Incidence of the State Budget*

Another way of looking at Hawaii's fiscal system is to consider the distribution among the counties of the net benefits of the State budget. This requires estimates of the incidence among the counties of actual State government revenues and expenditures. To the extent that the taxes and other revenues collected by the State in a county fall short of the benefits received in that county from State services, the county receives net benefits from the State budget.<sup>9</sup>

In the following pages, estimates are developed of the incidence among the counties of State revenues and the distribution of the benefits of State

9. Exporting to non-residents is not accounted for separately in this analysis. Revenues paid and services received by county area are implicitly assumed to cost or benefit, respectively, the residents of the county.

expenditures. The methods used to develop the estimates are presented separately for revenues and expenditures. An analysis of the net incidence of the State budget concludes this section.

**Incidence of State Revenues.** The analysis measures the incidence--or origin--of each major source of State revenue by county area. The incidence is determined by the distribution of the base of each source among the counties, since State law applies uniformly across the counties. This assumes, of course, that the State administers its revenue system equally across the counties.<sup>10</sup>

Looked at another way, the analysis yields estimates of the amount of revenues that each county could raise if it, rather than (or in conjunction with) the State, used each of the revenue sources. The accuracy of the estimates from this perspective depends on the validity of the assumption that each county could administer the revenue sources at the same (or lower) cost than that incurred by the State under current law. If the counties could not do so, the assumption essentially is that they could meet the condition by contracting with the State to administer the revenue source.

The analysis measures the incidence of each revenue source in one of two ways. Where actual State collections appear to reflect the true incidence of the source by county (as, for example, with the public service companies and transient accommodations taxes), they are used.

In most cases, however, the incidence is estimated by the tax base or a proxy. For the unemployment compensation tax, for example, the actual base--covered payroll--is used. For the corporation income tax, however, a proxy formula is used

consisting of three, equally weighted factors: the assessed value of commercial and industrial property, sales, and payroll.<sup>11</sup>

The bases and data used to allocate the incidence of State revenues among the counties are detailed in Appendix V-3. The estimates and percentage distributions of the incidence of State revenues are shown in tables V.9 and V.10.

The distributions of the incidence of the revenue sources take a variety of patterns. For many of the sources--including the individual income, corporate income, unemployment compensation, and general excise taxes--the incidence estimates show Honolulu (and Maui, in some cases) with payments that are disproportionately larger than their shares of the population. The allocation of the bank and financial corporations tax is even more skewed toward Honolulu.

On the other hand, the estimates for the transient accommodations tax and the earnings of public service enterprises (airports and harbors) show Maui with a disproportionately large share of the incidence. The estimates reflect the disproportionate endowment of Big Island with income from rents, royalties, and land.

The State government's interest earnings are not allocated to the counties. The revenue from this source originates not only within the State but also--to an unknown degree--throughout the nation, and even the world. More importantly, the interest payments result from voluntary market transactions, and cannot be regarded as burdening the geographical area where they originate.

Overall, Honolulu's share of State revenues is smaller than its share of the resident population but close to its share of the de facto population. Maui's share of State revenues is higher than its share of resident

population but lower than that of its de facto population. The State revenue shares of both Hawaii and Kauai are below those of their

10. The analysis does not attempt to allocate the incidence of the revenue sources to the residents of each county, which would also require estimating the amount of each revenue source that was exported to non-residents. Rather, the purpose of the analysis is to allocate the incidence of the State revenues among the counties in proportion to their relative tax bases, without regard to the final incidence of the revenue sources.

11. Where the State levy is a flat rate, the distribution of the base among the counties is an excellent approximation of the actual revenue incidence, since the State revenue is the base multiplied by the same rate in every county. Most of the State taxes, including the general excise tax and the transient accommodations tax, are flat-rate taxes.

Where the tax is levied at graduated rates, the method abstracts from reality but without serious distortions. The primary graduated revenue source in Hawaii is the individual income tax, which makes up 19 percent of State revenue. The only other graduated revenue source of concern here is the corporation income tax, which accounts for only 2 percent of State revenue.

The variable used to allocate the incidence of the individual income tax is personal income. By using the distribution of total income as the base, the distribution of income among the counties among the State income tax brackets is not taken into account. However, unless the distribution of personal income among the brackets differs significantly among the counties, the assumption of a flat-rate tax should not bias the incidence estimates significantly.

While direct information on the income distribution in each of Hawaii's counties is not available, related evidence suggests that disparities in the income distribution are relatively small. For one, the distribution of the poverty population is roughly proportional to the resident population of each county. Second, the range in average income between counties in Hawaii is the lowest in the country, with the exception of Rhode Island. Therefore, the method of allocating the incidence of State revenues using an implicit flat rate tax should yield reasonably realistic results.

# Advisory Commission on Intergovernmental Relations

**TABLE V.9 FINANCES OF THE STATE GOVERNMENT IN HAWAII: ACTUAL REVENUES, ESTIMATES OF INCIDENCE BY COUNTY OF ORIGIN, FISCAL YEAR 1987 (\$ in thousands)**

	County				
	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
100. Total	\$2,874,057	\$2,143,652	\$257,136	\$250,304	\$120,120
<u>Own Revenue: Taxes</u>					
101. Individual income	542,315	435,667	41,227	45,542	19,879
102. Corporation income	61,517	48,556	6,825	4,050	2,086
103. Unemployment compensation	76,056	61,780	5,995	5,451	2,830
104. General excise	817,937	655,580	75,324	59,727	27,307
<u>Specific Excise Taxes</u>					
105. Public service companies	61,792	50,441	4,810	4,839	1,701
106. Liquid fuel	47,846	34,940	4,906	5,605	2,394
107. Motor vehicle weight	17,820	12,370	2,095	2,311	1,044
108. Liquor - a	130,169	96,790	13,265	13,341	6,773
109. Tobacco	19,060	14,172	1,942	1,953	992
110. Insurance	35,949	28,880	2,733	3,019	1,318
111. Specific excises NEC - b	1,496	1,202	114	126	55
<u>Other Taxes and Licenses</u>					
112. Transient accommodations	23,519	15,498	4,728	1,985	1,308
113. Banks & financial corps.	15,276	13,833	629	553	262
114. Inheritance & estate	5,178	3,721	640	553	265
115. Realty conveyance	3,622	2,482	621	374	145
116. Licenses and fees	3,457	2,599	335	360	164
117. Other taxes NEC - c	719	578	55	60	26
<u>Own Revenue: Other Than Taxes</u>					
118. Fines & forfeitures	12,873	9,572	1,312	1,319	670
119. From other agencies	13,480	10,829	1,025	1,132	494
120. Rents/royalties/land	24,666	5,222	2,670	12,084	4,689
121. Earnings - general depts.	209,960	161,110	17,466	22,171	9,213
122. - auxiliary ents.	30,962	24,873	2,354	2,600	1,135
123. - pub. ser. ents.	137,475	68,904	29,723	21,002	17,846
124. Interest earned	102,849	N/A	N/A	N/A	N/A
125. Miscellaneous	74,428	59,792	5,658	6,250	2,728
<u>Intergovernmental Revenue</u>					
126. Federal grants-in-aid	403,636	324,260	30,685	33,896	14,795

a. \$95.622 million in this category is revenue realized that had been held in escrow pending the resolution of Bacchus v. Freitas.

b. The subtotals in column 3 of Table 12 of the Hawaii Tax Foundation's Handbook are used as controls. Accordingly, the revenue on this line is the difference between the subtotal in Table 12 and the sum of the amounts for the specific taxes (lines 105-11) in the class for which data are available anywhere in the Handbook.

c. The revenue on this line is the difference between the subtotal in Table 12 for this class and the amounts for the specific taxes (lines 113-16) in the class for which data are available anywhere in the Handbook.

Source: Tax Foundation of Hawaii, Government in Hawaii, 1988: A Handbook of Financial Statistics (1989), tables 12, 13, and 15; Tax Research & Planning, Department of Taxation, State of Hawaii, "State Tax Collections and Distribution, Year Ending June 30, 1987" (July 23, 1987), unpublished table; and see text.

TABLE V.10 FINANCES OF THE STATE GOVERNMENT IN HAWAII: PERCENTAGE DISTRIBUTIONS OF ESTIMATES OF THE INCIDENCE OF ACTUAL REVENUES BY COUNTY OF ORIGIN, FISCAL YEAR 1987

	Total	County			
		Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
Resident Population (7/1/87)	100.0%	76.7%	8.3%	10.6%	4.4%
De Facto Population (1987)	100.0	74.4	10.2	10.2	5.2
100. Total	100.0	74.6	8.9	8.7	4.2
<u>Own Revenue: Taxes</u>					
101. Individual income	100.0	80.3	7.6	8.4	3.7
102. Corporation income	100.0	78.9	11.1	6.6	3.4
103. Unemployment compensation	100.0	81.2	7.9	7.2	3.7
104. General excise	100.0	80.2	9.2	7.3	3.3
<u>Specific Excise Taxes</u>					
105. Public service companies	100.0	81.6	7.8	7.8	2.8
106. Liquid fuel	100.0	73.0	10.3	11.7	5.0
107. Motor vehicle weight	100.0	69.4	11.8	13.0	5.9
108. Liquor	100.0	74.4	10.2	10.2	5.2
109. Tobacco	100.0	74.4	10.2	10.2	5.2
110. Insurance	100.0	80.3	7.6	8.4	3.7
111. Specific excises NEC	100.0	80.3	7.6	8.4	3.7
<u>Other Taxes and Licenses</u>					
112. Transient accommodations	100.0	65.9	20.1	8.4	5.6
113. Banks & financial corps.	100.0	90.6	4.1	3.6	1.7
114. Inheritance & estate	100.0	71.9	12.4	10.7	5.1
115. Realty conveyance	100.0	68.5	17.1	10.3	4.0
116. Licenses and fees	100.0	75.2	9.7	10.4	4.7
117. Other taxes NEC	100.0	80.4	7.6	8.3	3.6
<u>Own Revenue: Other Than Taxes</u>					
118. Fines & forfeitures	100.0	74.4	10.2	10.2	5.2
119. From other agencies	100.0	80.3	7.6	8.4	3.7
120. Rents/royalties/land	100.0	21.2	10.8	49.0	19.0
121. Earnings -general depts.	100.0	76.7	6.3	10.6	4.4
122. -auxiliary ents.	100.0	80.3	7.6	8.4	3.7
123. -pub. ser. ents.	100.0	50.1	21.6	15.3	13.0
124. Interest earned	100.0	N/A	N/A	N/A	N/A
125. Miscellaneous	100.0	80.3	7.6	8.4	3.7
<u>Intergovernmental Revenue</u>					
126. Federal grants-in-aid	100.0	80.3	7.6	8.4	3.7

Source: Table V.7.

resident and de facto populations.

Incidence of State Expenditures.

The estimates are of the distribution among the counties of the benefits of each public service provided by the State. The total dollar value of the benefits from a service is assumed to equal total actual outlays for the service. For each category of expenditures, an "index of benefit" that approximates the distribution among the counties of the total statewide benefits of the service is used to estimate the benefits received by each county from the service.<sup>12</sup>

The methods used to estimate the distribution of the benefits of State expenditures are detailed in Appendix V-4. The distributions are actual expenditures where available (for example, for public education and unemployment compensation payments) or proxy measures (such as poverty population for public welfare and de facto population for recreation). The estimated apportionment of State operating expenditures is shown in Table V.11, and the percentage distributions of the benefits are provided in Table V.12.

The distributions of the benefits from State services tend to be more uniform and more closely related to population shares than the distribution of revenues paid to the State. One exception is higher education, where, because of the location of community colleges and the college-age population, Honolulu receives a larger share of the benefits than its share of the general population. Other exceptions are in spending for airports and harbors (the category of utilities and other enterprises) because of the locations of and traffic at those facilities, and in grants-in-aid to counties, the distribution of which is governed by explicit State policy.

Overall, Honolulu's share of the benefits from State expenditures is slightly less than proportional to its resident and de facto populations; Maui's is higher than its share of resident population but smaller than its share of de facto population. The shares of Hawaii and Kauai are larger than their respective shares of resident population and larger than (Hawaii) or equal to (Kauai) their shares of de facto population.

Analysis of the Net Incidence of State Finances. Lines 148-150 of Table V.11 show the net incidence of State government revenues and expenditures by county. The State's overall surplus of \$77.6 million means that, in FY 1987, it collected \$72 per capita more in revenues than it spent. Similarly, the positive net incidence of \$87 million for Honolulu indicates that the State collected more revenue in that county (\$105 per capita) than the value of the services it provided to the county.

On the other hand, the negative net incidences estimated for Maui, Hawaii, and Kauai mean that those counties received services from the State government with higher value than the amounts of revenue collected by the State within their boundaries. Hawaii County was the most advantaged. It received \$77 million (\$670 per capita) in net benefits, Kauai realized \$26 million (\$552 per capita) in net benefits, and Maui \$10 million (\$108 per capita).

While the net incidence of State government finances is not equal among the counties, this is not necessarily an imbalance that should be corrected. Depending on the policy of the State, it may be appropriate to provide a higher level of services to, and take a smaller share of revenues from, a county with relatively higher needs or relatively less taxpaying ability than another. If the State budget is

to be balanced, this, of course, also requires that some counties have a negative net incidence (revenues collected exceeding benefits received) to support the redistribution.

*Analysis of Balance from the Perspective of the Average Resident of Each County*

This section considers the net benefits to the typical resident of each county from both the county and State governments. The analysis assumes that the average resident of a county experiences a net benefit when the per capita value of the governmental services provided by the State and county government exceed the per capita revenues paid to the State and county, and a net cost when revenues paid exceed the value of services rendered.

Balance from the point of view of the resident differs from balance from the point of view of a government because a resident's welfare is increased when the value of the public services he or she enjoys exceeds the price paid in taxes and charges.

From the perspective of a government, on the other hand, an excess of expenditures over revenues is a deficit, which is generally considered poor budgeting practice and is not sustainable over multiple budget periods. Therefore, a negative number represents a government budget deficit, but is a net benefit from the point of view of the average resident.

The net benefit to the average resident of a county in Hawaii in FY

---

12. As with the allocation of State revenues, the goal of this exercise is to allocate the benefits of State expenditures to county areas, rather than to individuals. Thus, benefits received by visitors are allocated to the county in which those benefits are estimated to have been received.

TABLE V.11 FINANCES OF THE STATE GOVERNMENT IN HAWAII: ACTUAL EXPENDITURES, APPORTIONED AMONG THE COUNTIES IN PROPORTION TO ESTIMATED BENEFITS, FISCAL YEAR 1987 (\$ in thousands, except per capita)

	County				
	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
127. Total	\$2,796,506	\$2,056,415	\$266,895	\$326,871	\$146,325
128. General government	191,092	146,632	15,896	20,178	8,386
129. Public safety	103,916	77,269	10,590	10,650	5,407
130. Highways	72,270	46,386	8,781	12,068	5,036
131. Natural resources	22,808	16,959	2,324	2,338	1,187
132. Health & sanitation	118,025	87,760	12,028	12,096	6,142
133. Hospitals & institutions	97,677	74,951	8,125	10,314	4,286
134. Public welfare	341,357	261,549	24,484	42,975	12,349
135. Education - higher	314,310	253,697	22,010	25,892	12,711
136.     - public education	476,298	345,669	43,861	61,824	24,943
137.     - libraries, etc.	24,613	17,593	2,112	3,399	1,509
138. Recreation	15,994	11,893	1,630	1,639	832
139. Utilities & other ents.	161,055	80,722	34,821	24,605	20,907
140. Debt service	275,602	204,929	28,086	28,246	14,341
141. Retirement & pension	133,221	102,225	11,062	14,067	5,846
142. Employees' h/h insurance	640	491	53	68	28
143. Unemployment compensation	53,496	38,334	5,588	7,294	2,281
144. Grants-in-aid to counties	31,373	13,416	6,090	6,682	5,185
145. Urban redev. & housing	222,340	170,357	15,948	27,992	8,043
146. Miscellaneous	49,297	37,827	4,101	5,205	2,163
147. Cash capital improvements	91,121	67,755	9,286	9,339	4,742
<u>Net Incidence of State Government Finances</u>					
148. Lines 100 -127	\$77,551	\$87,237	(\$9,760)	(\$76,567)	(\$26,205)
149. Per Capita	\$71.64	\$105.03	(\$108.39)	(\$669.88)	(\$551.68)
150. Percent of expenditures	2.8	4.2	(3.7)	(23.4)	(17.9)
<u>Net Costs (Benefits) of Combined State-Local Fiscal System: Actuals</u>					
151. Lines V.1/38 + 148	\$85,256	\$94,708	(\$12,808)	(\$73,974)	(\$25,515)
152. Per Capita	\$78.76	\$114.02	(\$142.24)	(\$647.19)	(\$537.16)
<u>Net Costs (Benefits) of Combined State-Local Fiscal System: State Actuals; Counties, Statewide Average Services and Tax Rates</u>					
153. Lines V.5/39 + 148	\$85,256	\$83,053	\$3,044	(\$82,055)	(\$21,630)
154. Per Capita	\$78.76	\$99.99	\$33.81	(\$717.89)	(\$455.37)

Source: Tax Foundation of Hawaii, Government in Hawaii, 1988: A Handbook of Financial Statistics (1989), Table 35.

1987 is calculated by adding the value of actual State and county services provided to a county area in that year and subtracting the value of actual State and county revenues collected from the county area in that year. The results of this calculation are displayed in lines 151 and 152 of Table V.11. Line 152 shows that the average resident of Hawaii County received the largest net benefits from State and county government--\$647. The average resident of Kauai received net benefits of \$537, and the average Maui resident enjoyed net benefits of \$142.

Only Honolulu residents experienced a net burden from their State and local governments. The average resident of Honolulu paid \$114 more in taxes and fees than he or she received in benefits in 1987.

As the net benefits received by typical residents of each county in 1987 varied substantially, imbalances from the perspective of the average resident of each county also existed. However, such imbalances may be legitimate if the counties desire different levels of services and taxation in county policy, and have different needs and taxpaying capabilities for State government services. The extent of the differences in the net benefits that is not accounted for by these variables is the matter for policy concern.

### *The Outlook for Long-Run Fiscal Balance*

The long-run balance of a fiscal system depends on whether, in general, revenues and expenditures grow at roughly similar rates for government. Assuming the fiscal system is in balance to begin with, balance will be maintained if the receipts generated by a government's existing revenue structure (without increases in rates or other

discretionary actions) plus receipts received from other governments rise in step with the growth in expenditures required to maintain the services provided under existing law. This definition of fiscal balance applies to a government's finances before policy changes in revenue-raising or service provision are considered.

The outlook for fiscal balance in Hawaii depends in large part on the economic and demographic outlook for the State and the individual counties. The potential impacts of these factors on the fiscal system are reviewed in Chapter III of this report. A detailed analysis of the outlook for the State and individual county fiscal systems would be desirable for purposes of the deliberations of the Tax Review Commission, but such an analysis lies beyond the scope, resources, and time available for the present study.<sup>13</sup>

13. Is Hawaii's Tax System Adequate? Staff Report (Tax Review Commission, State of Hawaii, first draft, August 1989).



**V-1 APPENDIX: CALCULATION OF COUNTY REPRESENTATIVE REVENUES**

Each major tax and other revenue source relied upon by Hawaii's county governments in 1987 is described in this appendix, and the "base" and data used to estimate representative yields are identified. Where a more appropriate base cannot be identified, or data are not available to estimate the distribution of the better base, resident personal income is used. Personal income is a reasonable default because nearly all revenues are ultimately paid out of personal income, and because personal income has a long history as a standard measure of revenue-raising ability.

1. Total Revenue. The estimate of the total representative revenue yield for each county is the sum of the estimates for all of the revenue sources discussed below.

2. Subtotal, Own Revenue. This category is the total of all taxes, fees, and other revenue received by counties from their own sources. It excludes all State and federal intergovernmental revenue.

3. Real Property Tax (50.9 percent of total county revenues). The statutory base of the property tax is the assessed value of land in its highest and best use and improvements, except as provided for in dedications and net of authorized exemptions. The representative base is the gross assessed valuation of land and improvements less the assessed value of property owned by the federal and State governments and the Hawaiian Homes Commission. The data are from Real Property Tax Valuations, Tax Rates, & Exemptions, 1986-87 Tax Year, State of Hawaii

prepared by the Real Property Assessment Division, Property Technical Office, Department of Finance, City and County of Honolulu (July 1986). The gross assessed values, exemptions for government property, and net assessed values after such exemptions are shown in Table V.13.

Ideally, the representative base for this tax would be the market value of all real property in each county potentially taxable under State and federal law. Direct estimates of market values are unavailable, however.

The best available approximation is assessed values. The accuracy of these data as an indicator of the potential property tax bases of the counties depends on the uniformity of assessment practices across the counties. Although current law requires property to be assessed at 100 percent of fair market value, actual practice falls short of this goal. If

significant disparities in average assessment-market ratios exist among the counties, the accuracy of assessments as a proxy for the potential property tax base will be distorted accordingly. (See Chapter VI for further discussion of this issue.) The present analysis assumes that assessment practices are reasonably uniform across the counties and that the assessed values are, therefore, reasonably accurate indicators of the relative property tax bases of the counties.

The representative base should exclude the value of property the counties are legally unable to tax, specifically, property exempted by federal or State law. For this reason, the total assessed value of property owned by the federal and State governments is subtracted from gross assessed values in arriving at the potential base. Property exempted

TABLE V.13 ASSESSED VALUES BY COUNTY, 1987 (\$ in millions)

	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
Amounts					
Gross Assessed Value	\$52,814	\$38,643	\$6,430	\$5,197	\$2,543
Exemptions:					
Federal Government	2,360	2,322	6	20	13
State Government	6,611	5,825	239	444	104
Hawaiian Homes Commission	55	24	7	21	3
Net Assessed Value	43,789	30,472	6,179	4,713	2,424
Percent of Gross Assessed Value					
Gross Assessed Value	100.0%	100.0%	100.0%	100.0%	100.0%
Exemptions:					
Federal Government	4.5	6.0	0.1	0.4	0.5
State Government	12.5	15.1	3.7	8.5	4.1
Hawaiian Homes Commission	0.1	0.1	0.1	0.4	0.1
Net Assessed Value	82.9	78.9	96.1	90.7	95.3

Source: City and County of Honolulu, Department of Finance, Real Property Assessment Division, Real Property Tax Valuations, Tax Rates, & Exemptions, 1986-1987 Tax Year, State of Hawaii (July 1986).

under the authority of the Hawaiian Homes Commission is also excluded because this exemption is established by federal law.

Property owned by a county government is unlikely to be taxed by that government, as it would be no more than a transfer from one pocket to another, but such taxation is not prohibited by State or federal law. Moreover, the amount of property owned by a county is a direct result of county policy, and a key premise of this analysis is abstraction from county policy. This argues for including property owned by the county governments in the representative base. The importance of including county-owned property in the base is underscored by the substantial variability among the counties in the proportion of gross assessed value represented by such property:

Statewide	Honolulu	Maui	Hawaii	Kauai
2.8%	3.3%	2.1%	1.0%	1.7%

State law also currently provides for numerous exemptions and deductions--of which the largest is the exemption for homeowners--that reduce the property tax base. These exemptions as a percentage of total assessed values vary significantly among the counties:

Statewide	Honolulu	Maui	Hawaii	Kauai
13.4%	14.3%	8.4%	14.1%	10.9%

Since November 7, 1989, the counties have not been required by State law to exempt these properties. Hence this analysis treats these properties as potentially taxable by the counties and includes them in the representative tax base. (Estimates of the revenue that would be forgone by each county if it were to maintain the homeowner and other exemptions,

either wholly or partially, appears in Chapter VI of this report.)

4. Liquid Fuel Taxes (3.7 percent of total county revenues). State law distinguishes eight classes of liquid fuel, specifying separate tax rates for each. However, the counties tax only three classes of such fuel: gasoline, diesel fuel purchased for highway use, and liquid petroleum gas purchased for highway use. While tax rates per gallon vary among the counties, they all impose a higher rate on gasoline and diesel fuel than on liquid petroleum gas.

The representative base for this revenue source is the total gallons of liquid fuels purchased for highway use (including gasoline), as reported in Table 504 of The State of Hawaii Data Book, 1988 (Department of Business and Economic Development, State of Hawaii, November 1988), hereafter cited as Hawaii Data Book, 1988. This approach abstracts from the fact that the three types of fuel are taxed at significantly different rates (varying from 3 cents per gallon in Hawaii and Kauai for liquid petroleum gas to 8 cents per gallon in Maui for gasoline and diesel fuel). The assumption of uniform rates would not be acceptable if there were major differences in the mix of sales of the three types of fuel among the counties. In such event, it would be essential to consider the three types separately.

In this case, however, separate analysis of the three types of tax base would make little difference. One consideration is that gasoline makes up 94 percent of the statewide tax base (over 93 percent of the base in every county), and liquid fuel revenues are less than 4 percent of total county revenues. Distributing the other 6 percent of the tax base differently would have little effect on the overall estimates of relative revenue yield.

Moreover, the average tax per gallon of diesel oil and liquid petroleum gas is nearly identical to the average tax on gasoline (6.8 cents versus 6.9 cents). It follows that the estimated yield from liquid fuel taxes would be almost identical whether the potential yields of the three types of fuel taxes were estimated separately or in combination.

5. Utility Franchise Tax (2.3 percent of total county revenues). This tax is levied on the gross operating income of electric and gas companies. The representative base is the total revenues of electric and gas utilities, reported in Hawaii Data Book, 1988, tables 498 and 500.

6. Motor Vehicle Weight Tax (2.6 percent of total county revenues). The statutory base of this tax on passenger and commercial vehicles is the weight of the vehicle. The ideal representative base would thus be actual total weight of all vehicles by county. In the absence of direct data on this variable, the available data are used to estimate the total vehicle weight in each county.

The Hawaii Data Book, 1988 reports the total number of taxable vehicles in the State by type (for example, passenger vehicles, buses, and motorcycles) and empty weight (Table 529). This information can be combined with data in Table 527 on vehicle registrations by type and county to arrive at an estimate of the approximate pounds of vehicle weight in each county.

Specifically, for each type of vehicle, the midpoint of each weight range shown in Table 529 and the number of vehicles in each range are used to calculate an average weight for each type of vehicle. (For purposes of this calculation, the average weight for vehicles under 2,000 pounds is

## Advisory Commission on Intergovernmental Relations

assumed to be 1,500, and the averageweight for vehicles 10,000 pounds and over is assumed to be 11,000.) The average weight for each type of vehicle is then applied to the number of vehicles of that type in each county (from Table 527) to calculate an estimate of the total pounds of vehicles in each county.

7. Liquor Licenses and Fees (0.5 percent of total county revenues). These revenues are derived from businesses licensed to manufacture or sell beverage alcohol. The representative base is the number of annual manufacturing, wholesale, retail, dispenser, and special liquor licenses in force as of July 1989, as reported by each county's Department of Liquor Control or Liquor Commission.

The choice of actual licenses as the representative base does not normalize the effects of the different licensing policies of the counties. Nevertheless, the variable is the best available indicator of the potential base from which revenues can be raised. The U.S. Census Bureau's County Business Patterns series, which publishes a count by SIC code of business establishments in each county, is another possible data source. With the exception of a subcategory of wholesale trade, however, the SIC categories are not useful for the purpose of distinguishing businesses with liquor licenses from those without.

As with liquid fuel taxes, this revenue source is actually made up of a number of bases with different rates. For example, the fees for hotels are higher than those for general dispensers. The representative rate is a weighted average of the actual mix of rates. It would be desirable to subdivide the base into various categories of licenses—for example,

manufacturing, retailing, and wholesaling licenses—if the mix of establishments varied significantly among the counties. This does not appear to be the case, so the base is not segmented. In every county, dispenser licenses make up around half of all licenses (the range is from 43 percent in Hawaii to 52 percent in Honolulu). Retail licenses account for 39-46 percent of the total, special licenses (for hotels, cabarets, clubs, and tours and cruises) 7-12 percent, and wholesale and manufacturing licenses less than 4 percent.

8. Parking Meter Fees (0.4 percent of total county revenues). The representative base is the total number of passenger vehicles registered in each county (Hawaii Data Book, 1988, Table 527). Other possible bases are actual revenues and the number of parking meters, but both of these options are heavily influenced by county policy. In order to be neutral with respect to county policy on use of meters and the level of fees, the number of passenger vehicle registrations is used. This base would appear to be closely correlated with the potential for revenue from parking meters because essentially all the revenue would come from passenger vehicles registered in the county, including those owned by rental firms. Given the geography of Hawaii, vehicles registered in one county are not likely to contribute significantly to parking meter revenues in another county.

A consideration in developing this base is whether rental vehicles should be weighted more heavily than non-rental vehicles. Drivers of rental cars may be more likely to visit the kinds of locations where meters would be likely to be installed. If evidence were available verifying this behavior, it would be appropriate to weight them more heavily than other vehicles in the

base. No evidence appears to be available on the behavior of operators of rental vehicles in Hawaii, however, so all passenger vehicles are weighted equally.

9. Other Licenses and Permits (1.7 percent of total county revenues). The major components of this category are non-business licenses and permits—including building, street, and related permits, motor vehicle licenses and fees, and animal licenses. Licenses and permits collected from businesses—such as health licenses for food and hotel establishments and police and protective licenses for firearms, fireworks, and tobacco—make up only 1 percent of the revenues in this category. Thus, the variable used as an indicator of the potential base for these licenses and permits is resident population [Quarterly Statistical & Economic Report, 4th Quarter (1988), Research and Economic Analysis Division, Department of Business and Economic Development, State of Hawaii (1989), Table 8-1].

10. Fines, Forfeits, and Penalties (0.1 percent of total county revenues). This category encompasses a variety of minor revenue sources. Roughly half the revenues are penalties and interest due on property tax bills in the County of Maui. The other significant component of this category is Liquor Commission fines in the counties of Honolulu and Maui. Because the makeup of this category is so varied and because the amount of revenues is so small as to have a negligible effect on the overall outcome of the analysis, resident personal income (the default base) is used. The source of the data is Survey of Current Business (April 1989), p. 47.

11. Departmental Earnings (11.1 percent of total county revenues). This category consists of a wide range of revenues earned by various county departments. The revenues are of three general types: service charges, interest earnings, and rents and concessions. The distribution of actual revenue in these classes among the counties is shown in Table V.14.

Because this is a large and diverse category of revenues, it would be possible to use different representative rates and bases for its different elements if one base did not accurately reflect the overall distribution of revenue-raising potential for the category. In this case, however, de facto population is arguably the best variable for almost all the components. It is therefore used as the base for the entire category. The source is Quarterly Statistical & Economic Report, 3rd Quarter (1988), Research and Economic Analysis Division, Department of Business and Economic Development, State of Hawaii (1989), Table 8-2.

The revenue potential of service charges for garbage collection and disposal, sanitation services, and

cultural/ recreational admissions is clearly related to the size of the population present at a given time, including visitors. Other service charges, including fees for plan review or motor vehicle safety inspections, may be paid initially by residents or local businesses but ultimately depend on the size of the de facto population and economy.

Interest earnings are assumed to be generated primarily from short-term investments, largely a function of the size of a county's overall budget, which is also related to the size of the de facto population and economy. If interest earnings were predominantly from longer-term investments of accumulated fund balances, it would be important to identify a base reflecting the relative size of those balances. Finally, revenue from rents and concessions is derived from both residents and visitors; hence, de facto population is an appropriate base for this element also.

12. Miscellaneous (6.0 percent of total county revenues). This category includes revenues from a variety of sources, including private contributions, reimbursements from the State for

county services, recovery of monies from various operations, and sales of assets. Furthermore, different elements are included in this category for each of the counties, and the proportion of total revenues accounted for varies from 1.1 percent in Kauai to 7.2 percent in Honolulu. Because of the diverse character of the category, the default variable, resident personal income, is used as the base.

13. Subtotal Intergovernmental Revenue. This category is the total of all State and federal intergovernmental revenue received by the counties.

14. Revenue from State, Subtotal. This category is the total of revenue received from the State government.

15-19. Intergovernmental Revenue (20.7 percent of total county revenues). Intergovernmental revenue from the State consists of grants distributing GET and TAT revenues to the counties and other cash grants for county operating expenditures, as well as some small amounts passed through the Hawaii Housing Authority. The percentage distribution among the counties of the total of these grants in 1987 is:

Statewide	Honolulu	Maui	Hawaii	Kauai
100.0%	37.2%	24.3%	25.1%	13.4%

Intergovernmental revenue from the federal government in 1987 is distributed as follows:

Statewide	Honolulu	Maui	Hawaii	Kauai
100.0%	90.0%	0.5%	5.7%	3.7%

TABLE V.14 DEPARTMENTAL EARNINGS OF COUNTY GOVERNMENTS, BY COUNTY, FY 1987 (\$ in thousands)

Type	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
Total	\$75,678	\$59,236	\$8,310	\$4,526	\$3,606
Charges for Services					
Garbage Coll. & Disp.	4,094	3,525	569	—	—
Sanitation Services	38,238	31,741	4,700	904	894
Culture/Rec. Fees	3,404	2,305	24	509	567
Other Services	4,411	2,501	748	886	276
Interest Earnings	16,570	11,302	2,149	2,207	912
Rents & Concessions	8,639	7,863	120	20	636
Unallocable	321	—	—	—	321

Source: Tax Foundation of Hawaii, Government in Hawaii, 1988 (1989) and unpublished detail.

## Advisory Commission on Intergovernmental Relations

---

No attempt is made to define a representative base for these sources of intergovernmental revenue. Rather, the actual revenues received from the State and the federal government are used because the amounts of these revenues are almost entirely beyond the control of county governments. Since State and federal policies are taken as fixed in the analysis of the representative revenues of the counties, the potential yield from this source is best represented by the actual receipts of the counties.

## V-2 APPENDIX: CALCULATION OF COUNTY REPRESENTATIVE EXPENDITURES

This appendix details the expenditure categories and the workload measures used in the calculation of county representative expenditures. The default workload measure is resident population, the standard measure used to compare service needs on which this analysis attempts to improve.

Besides resident population, another population concept commonly used in Hawaii is de facto population, which is intended to measure the number of people actually present in the State or a county at a given time. It is calculated by adding the average daily visitor census to resident population and subtracting the number of absent residents. De facto population is superior to resident population as a workload measure for certain services, such as recreation and sanitation, for which the number of people present at a given time is the primary determinant of the level of services needed.

Another population concept, which might be called "super" population, is total resident population plus visitors (or de facto population without the exclusion of absent residents). "Super" population may be the relevant workload measure for such types of expenditures as natural resource preservation, the benefits of which accrue to residents, whether present in the jurisdiction or not, and visitors.

Table V.15 shows the differences in numbers and percentage distributions of the three population concepts among the counties. Because the percentage distributions of de facto population and "super" population are so similar, it makes little practical difference in Hawaii which of the two measures is used as a workload

TABLE V.15 ANALYSIS OF RESIDENT/VISITOR POPULATION CONCEPTS, 1987

	Total	Honolulu	Maui	Hawaii	Kauai
	(1) Numbers	(2)	(3)	(4)	(5)
"Super" Population	1,216,770	905,260	123,790	124,610	63,110
De Facto Population	1,201,000	893,100	122,400	123,100	62,500
Resident Population	1,082,500	830,600	89,900	114,400	47,600
Residents Absent	15,770	12,160	1,390	1,510	610
Visitor Average	134,270	74,660	33,890	10,210	15,510
Percentage Distributions					
"Super" Population	100.00%	74.40%	10.17%	10.24%	5.19%
De Facto Population	100.00	74.36	10.19	10.25	5.20
Resident Population	100.00	76.73	8.31	10.57	4.40
Residents Absent	100.00	77.11	8.81	9.58	3.87
Visitor Average	100.00	55.60	25.24	7.60	11.55
Note: "Super" population is resident population plus the average daily visitor census. De Facto population is resident population minus absent residents plus the average daily visitor census.					
Source: Department of Business and Economic Development, <u>The State of Hawaii Data Book, 1988: A Statistical Abstract</u> (November 1988), p. 197; Department of Business and Economic Development, <u>Quarterly Statistical &amp; Economic Report - State of Hawaii</u> (3rd Quarter 1988), p. 50.					

measure. Thus, the more widely recognized measure, de facto population, is used in the analysis.

20. Total Expenditures. The estimate of total representative expenditures for each county is the sum of the estimates of representative expenditures for the specific categories.

21. General Government (10.8 percent of total county expenditures). This category includes expenditures for general government operations, including the mayor's office and county council, and for staff operations including financial administration, legal

services, and planning and zoning. These services are, for the most part, fixed overhead costs related to the size of the government, the benefits of which accrue to the citizenry as a whole. Hence, the workload measure for this category is resident population.

22. Public Safety (24.5 percent of total county expenditures). This category has three major components: police, fire, and other protection. State-wide, police expenditures make up about 58 percent of these outlays, fire 28 percent, and other protection 15 percent, as shown in Table V.16.

# Advisory Commission on Intergovernmental Relations

**TABLE V.16 ACTUAL EXPENDITURES FOR PUBLIC SAFETY OF COUNTY GOVERNMENTS, BY COUNTY, FY 1987 (\$ in thousands)**

	Total	Honolulu	Maui	Hawaii	Kauai
	(1)	(2)	(3)	(4)	(5)
	Amount				
Total	\$164,759	\$115,022	\$15,535	\$25,740	\$8,462
Police	94,838	68,153	9,073	13,252	4,361
Fire	45,931	31,325	4,025	7,409	3,173
Other	23,990	15,544	2,438	5,080	928
Percentage Distributions					
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Police	57.6	59.3	58.4	51.5	51.5
Fire	27.9	27.2	25.8	28.8	37.5
Other	14.6	13.5	15.7	19.7	11.0

Source: Tax Foundation of Hawaii, Government in Hawaii, 1988 (1989), and unpublished detail.

Representative expenditures for public safety are estimated separately for each of these components.

The workload measure for police expenditures is a combination of (1) de facto population, adjusted for density; (2) the number of violent crimes reported; and (3) the male population age 18-24. The variables are equally weighted. These indicators are chosen because each reflects considerations that contribute to the relative need for public safety services.

Density-adjusted de facto population is calculated by multiplying each county's de facto population by the ratio of its de facto population per acre of non-agricultural and non-conservation land to the statewide density, calculated the same way. (Acreage by land-use class is from the Hawaii Data Book, 1988, Table 184.) This variable is included because the need for police services is generally linked to the total number and density of people, including tourists, in the

area served. In fact, if tourists disproportionately contribute to the need for spending for public safety—for example, if they are more vulnerable to crime than residents—then they should be weighted more heavily than residents.

Data in Table 118 of the Hawaii Data Book, 1988 on major offenses reported to police per 100,000 population in Oahu and Kauai suggest that visitors in Honolulu are more likely to be victims of crime (both violent crime and property crime) than residents. In Kauai, however, residents are slightly more likely than visitors to experience both types of crime. This mixed evidence is further confounded by the likelihood that visitors are more disposed than residents to report crime. Because no clear evidence is available on this point, no attempt is made to weight visitors more heavily than residents.

The level of violent behavior also determines the need for police services. The number of violent crimes

(including murder, forcible rape, robbery, and aggravated assault) is used as an indicator for this factor. Although these data [from Hawaii Criminal Justice Data Center, Department of the Attorney General, State of Hawaii, Crime in Hawaii, 1987 (May 1988), Table 3A] are influenced by actual police practices, reporting procedures, and expenditures for protective services—all elements of policy from which a workload measure should abstract—they are the best data available.

The more serious the crime, the more likely it is to be reported, and reporting for the arguably most serious crime of all—murder—is widely acknowledged to be virtually complete. Thus the number of murders would generally be the best possible indicator of violent crime. Because of the small number of murders in Hawaii (2 in Maui and 0 in Kauai in 1987, for example), however, these data alone are an unreliable indicator of the relative incidence of violent behavior among the counties. Thus the broader, and more statistically stable, measure of violent crimes is employed.

The number of males age 18-24 is a common indicator of an area's potential for a wide range of serious crimes, as well as less serious types of behavior that also require police activity.<sup>1</sup> In 1986, nearly one-third of all those arrested nationally were 18-24 years old, though persons in this age group were less than 12 percent of the total population.<sup>2</sup> Hence this population group is included as an indicator of another dimension of the

1. For example, see Burt Solomon, "Fewer Teenagers Means Fewer Crimes," National Journal, Vol. 18 (March 8, 1986), p.553.

2. U.S. Bureau of the Census, Statistical Abstract of the United States, 1988 (December 1987), pp. 13 and 165.

need for police services.

Representative expenditures for the function of fire prevention and control are distributed on the equally weighted basis of de facto population, de facto population adjusted for density (calculated in the same manner as for police expenditures), and square miles. These variables capture the elements of population, density, and area that relate to the need for fire protection services.

Other protective public safety services include traffic control, liquor control, and civil defense. This subcategory is distributed on the basis of de facto population, since these services benefit visitors as well as residents.

23. Highways (4.7 percent of total county expenditures). Maintenance costs are the principal element of this category of operating expenditures. Other elements, including equipment costs, administrative costs such as planning and design, and construction costs are relatively minor by comparison. The workload measure for this function is the sum of the percentage distributions of: (1) total annual vehicle miles traveled in 1987 (from the Hawaii Data Book, 1988, Table 538) and (2) total miles of county-maintained roads (data provided by the Hawaii State Department of Transportation).

Both of these variables are related to the maintenance expenditures required by the deterioration of highways. Deterioration attributable to traffic is represented here by vehicle miles traveled, and deterioration attributable to time and the weather is approximated by the stock of county highways. It is assumed that virtually all county-maintained roads have only two lanes, so adjustment for variability among the counties in lane mileage is not

necessary. The two variables are weighted 0.825 and 0.175, respectively, in rough proportion to their contributions to highway deterioration over time.<sup>3</sup> Since the climate in all the counties is virtually identical, no account need be taken of differential rates of deterioration due to that source.

The workload measure relating to vehicle miles traveled would be improved by an adjustment reflecting the rapid escalation in damage to pavement as vehicle weight increases. The data necessary for this refinement are not currently available.

24. Health and Sanitation (7.8 percent of total county expenditures). The principal activities encompassed by this function are sewerage and solid waste collection and disposal. The workload measure is de facto population, since the need for sewerage and refuse services is related to the total population present, not just to the number of permanent residents.

25. Hospitals and Institutions (0.03 percent of total county expenditures). This category consists entirely of certain social service grants made by the County of Maui. The workload measure is the number of persons in poverty in 1979; the data are from the 1980 Census, the most recent available on the incidence of poverty by county in Hawaii. The percentages of individuals in poverty in each county reported in Table 420 of the Hawaii Data Book, 1988 are multiplied by resident population by county in 1979 (1980 data are used for Kalawao) from Department of Business and Economic Development, State of Hawaii, The Population of Hawaii, 1980-1986, Statistical Report 201 (September 21, 1987) tables 5 and 7, to obtain the number of persons in poverty in 1979 by county.

26. Public Welfare (1.1 percent of total county expenditures). This category includes special services provided to the elderly, as well as other social service programs. The workload measure for this function is the mean of the distributions of the number of persons in poverty in 1979 and the population aged 65 and over.

27. Public Schools (0.1 percent of total county expenditures). Although the State government is responsible for public education, some school busing is provided by the counties and these outlays account for the bulk of this category. The workload measure is public school enrollment, weighted by the inverse of the ratio of enrollment per square mile to the statewide average. This assigns a higher workload to large, less-densely populated counties than to smaller, more-densely populated ones. The workload measure uses actual enrollments rather than school-age population because enrollments are a function of State education policy, and State policy is taken as given in the estimation of county representative expenditures.

28. Recreation (6.4 percent of total county expenditures). This category includes outlays for parks, swimming pools, golf courses, and other recreational facilities and programs. The workload measure is de facto population because these services are used by residents and visitors alike.

29. Interest (6.1 percent of total

3. See Robert W. Rafuse, Jr., Representative Expenditures: Addressing the Neglected Dimension of Fiscal Capacity, draft, Advisory Commission on Intergovernmental Relations (May 18, 1989).



county expenditures). The need for county outlays for interest is determined by the amount of capital borrowing. In order to be neutral with respect to a county's choice of financing capital expenditures with cash or by borrowing, the same workload measure is used for both categories of expenditures. Since the need for capital spending is related to the size of the total daily population and the economy, de facto population is the workload measure.

30. Bond Redemption (3.4 percent of total county expenditures). As in the case of interest expenditures, actual repayments of the principal amounts of county bonds depend on the policies that defined the borrowing that occurred in the past. Thus, in order to ensure policy neutrality, de facto population is the workload measure.

31. Pension and Retirement (7.7 percent of total county expenditures). These expenditures are contributions to the State employee retirement system for county employees. They are determined by the size and compensation of the county government workforce. Because these factors are matters of county policy, they cannot be used as workload measures. Rather, the workload measure is resident population in recognition that--like general government expenditures--pension and retirement outlays are fixed, overhead costs needed to provide governmental services to the county's citizenry.

32. Economic and Urban Development (3.0 percent of total county expenditures). Actual expenditures in this category consist of housing development, job training, community development and redevelopment, and outlays funded by

other federal programs, all in the City and County of Honolulu. The measure used to define the relative need for such expenditures among the counties is an equally weighted combination of (1) acres of urban land-use districts, (2) poverty population, and (3) resident population.

Acres of urban land-use districts is used as an indicator of the potential area and urban character of the services in this category. Data on the distribution of this measure are from the Hawaii Data Book, 1988, Table 186. The population in poverty is used because many of the services included in this category are targeted to the poverty population or some fraction or multiple of it. Resident population is a factor because the indirect benefits from such expenditures are also related to total population.

33. Mass Transit (7.1 percent of total county expenditures). This category consists almost entirely of outlays for mass transit by the City and County of Honolulu. The workload measure is the average of the distributions among the counties of (1) acres of urban land-use districts, and (2) de facto population, adjusted for density. The former variable relates to the potential service area for mass transit, and the latter to the potential demand for the service.

34. Miscellaneous (6.1 percent of total county expenditures). This category consists mainly of such general government expenditures as employees' and other insurance, workers' compensation contributions, and provisions for judgments and losses. Since these outlays relate to the fixed overhead costs of government, the workload measure is resident population.

35. Cash Capital Improvements (11.3 percent of total county expenditures). The workload measure for cash capital improvements, as for interest and bond redemption, is de facto population. The same workload measure is used for capital improvements financed by cash as for those financed by borrowing in order to be neutral with respect to a county's choice of financing methods. Since the level of capital expenditures tends to be related to the size of the total daily population and economy, de facto population is the appropriate choice for a workload measure.

### V-3 APPENDIX: ESTIMATION OF THE INCIDENCE AMONG THE COUNTIES OF STATE REVENUES

This appendix explains the variables and data used to estimate the incidence of State revenues among the counties. The data on the origins of tax collections by taxation district (county) compiled by the State Department of Taxation are used where these data are judged to reflect the true incidence of a tax by county. For a number of the State taxes, however, the filings and collections recorded by district do not reflect the location of the taxed activity by county. For these taxes, such as the GET and the corporate income tax, other sources must be used. As in the analysis of county revenues, the default base is personal income.

100. Total. The combined incidence of State revenues by county is calculated by summing the incidence estimate for each of the categories below.

101. Individual Income Tax (19.0 percent of total State revenues). This tax is levied on the net incomes of individuals at rates of 2.25-10.0 percent of taxable income. Total resident personal income is used to estimate the incidence of this tax among the counties.

102. Corporation Income Tax (2.2 percent of total State revenues). This is a graduated tax of three brackets levied as a percentage of the net income of corporations. A three-factor formula equally weighing property, sales, and payroll is used to allocate the incidence of this tax among the counties. This approach is similar in concept to that used by many states to allocate corporate income for tax purposes.

Property is measured by the gross assessed values of commercial, industrial, and hotel/resort property in 1987. The data are from Real Property Assessment Division, Department of Finance, City and County of Honolulu, Real Property Tax Valuations, Tax Rates, & Exemptions, 1986-1987 Tax Year, State of Hawaii (July 1986). Sales are as estimated in Bank of Hawaii, Hawaii 1988: Annual Economic Report, and payroll is the total wages of employees covered by the Hawaii Employment Security Law and unemployment compensation for federal employees as reported in the Hawaii Data Book, 1988, Table 375.

103. Unemployment Compensation Tax (2.7 percent of total State revenues). This tax on employers is levied on wages and salaries paid. The tax is allocated to the counties on the basis of total covered payroll, from the Hawaii Data Book, 1988, Table 375.

104. General Excise and Use Tax (28.6 percent of total State revenues). This tax is levied on the gross income, gross receipts, or gross proceeds of nearly all business activities. Gross receipts from some activities—including retailing, business and professional services, contracting, and rentals—are taxed at 4 percent. Gross revenues from other activities—including wholesaling, manufacturing, and sugar processing and producing—are taxed at 0.5 percent. Insurance commissions are taxed at 0.15 percent. Revenue from general excise licenses and fees is also included in this category.

The percentage contributions to total GET revenues in 1987 by the major taxed activities are:<sup>4</sup>

Total	100.0%
Retailing	46.5
Services	14.3
Contracting	9.9
Rentals Other than Hotel	10.2
Hotel Rentals	6.7
Wholesaling	3.0
All Other	9.4

The method used to allocate the proceeds from the GET among the counties is to estimate the incidence of each of the major categories for which data on an appropriate allocator exist, and to allocate the remaining portion by personal income. (Department of Taxation data on GET collections by county are not used because they do not accurately reflect the distribution of taxable activity. For example, businesses owing general excise tax on revenues derived from more than one county file their payments in the Honolulu taxation district, thereby overstating the incidence of the tax in Honolulu and understating it in the other counties.)

GET revenues from retailing (46.5 percent of the total) are allocated to the counties on the basis of 1987 retail sales (Bank of Hawaii estimates). GET services revenues (14.3 percent of the total) are allocated among the counties on the basis of the 1987 receipts of service establishments with payroll and subject to federal income tax [from U.S. Bureau of the Census, 1987 Census of Service Industries, Hawaii (August 1989)]. Hotel rental revenues (6.7 percent) are allocated to the counties in proportion to TAT receipts (Department of Taxation data), and wholesaling revenues (3.0 percent) are allocated on the basis of wholesale trade [U.S. Bureau of the Census, 1987 Census of Wholesale

4. Tax Foundation of Hawaii, Government in Hawaii, 1988 (1989).

## Advisory Commission on Intergovernmental Relations

Trade, Hawaii (August 1989)]. The remaining 29.5 percent is distributed among the counties on the basis of personal income.

105. Public Service Companies Tax (2.2 percent of total State revenues). This tax is levied on the gross income of public utilities, including passenger transportation firms, motor carriers, common carriers by water, and contract carriers. Because gross proceeds are reported by island, the Department of Taxation data on collections are used.

106. Liquid Fuel Taxes (1.7 percent of total State revenues). As discussed above for county liquid fuel taxes, the State distinguishes eight classes of liquid fuel for taxation purposes. As with the county taxes, each class of liquid fuel is taxed on a gallonage basis. Department of Taxation data on collections by district, based on the location of the distributor, are used.

107. Motor Vehicle Weight Tax (0.6 percent of total State revenues). This tax, like the county motor vehicle weight tax, is levied on passenger and commercial motor vehicles according to the weight of the vehicle. Motor vehicle registration fees are also included in this category. Since this revenue is collected by the counties, Department of Taxation data reflecting the distribution of county receipts are used.

108. Liquor Tax (4.5 percent of total State revenues). The State imposes a tax per wine-gallon of distilled spirits, sparkling wines, still wines, cooler beverages, and beer. Liquor permits are also included in this category. The incidence of these revenues is allocated among the counties by de facto population

because both residents and visitors are consumers of alcoholic beverages. \$95.6 million of the total is the result of a one-time, lump-sum release of revenues from escrow due to the resolution of a court case, Bacchus v. Freitas. This amount is distributed in the same manner as the base amount; however, the presence of this one-time revenue source in the FY 1987 "snapshot" overstates the relative importance of the liquor tax in State revenues.

109. Tobacco Tax (0.7 percent of total State revenues). This tax is imposed on wholesalers at 40 percent of the wholesale price of all tobacco products. Tobacco licenses are also included in this category. The incidence of these revenues is allocated to the counties by de facto population because both residents and visitors are consumers of tobacco products.

110. Insurance Premiums Tax (1.3 percent of total State revenues). The base of this tax is gross premiums received by insurance companies. Collections of this tax are allocated among the counties on the basis of personal income because income and insurance premiums are closely correlated.

111. Specific Excise Taxes NEC (0.1 percent of total State revenues). The incidence of this residual set of taxes is assigned to the counties by the default variable, personal income.

112. Transient Accommodations Tax (0.8 percent of total State revenues). This tax is levied at the rate of 5 percent on the gross rental proceeds derived from furnishing transient accommodations of less than 180 days. Revenue from transient accommodations fees is also included in this category. Because these

revenues are required to be reported by island, Department of Taxation data are used.

113. Banks and Financial Corporations Tax (0.5 percent of total State revenues). This tax is imposed on the net income of banks, building and loan associations, industrial loan companies, and other financial corporations. The distribution of 1987 bank debits (from Bank of Hawaii, Hawaii 1988: Annual Economic Report) is used to allocate the proceeds of this tax to the counties of origin.

114. Estate and Transfer Taxes (0.2 percent of total State revenues). This tax, levied on decedents with federal estate tax liabilities, is based on the transfer of taxable estate. The State tax is equal to the federal credit for estate death taxes.

The incidence of this tax is estimated by the distribution of a proxy base. The statutory base is a function of both private wealth and the propensity to die. The propensity to die is assumed to be constant across the counties. To approximate the distribution of wealth, a formula comprehending 2/3 of total private property value (as measured by total assessed values for 1987, excluding federal, state, county, and Hawaiian Homes Commission property) and 1/3 property income (dividends, interest, and rents for 1987 as reported by the U.S. Bureau of Economic Analysis) is used. Implicit in this formula are the assumptions that real property values are correlated with wealth, but that taxable estate may also be reflected in forms of wealth other than real property. The 1/3 weight given to property income represents other forms of wealth that may contribute to the value of an estate.

115. Realty Conveyance Tax (0.1 percent of total State revenues). The base of this tax on documents transferring ownership or interest in realty is the actual and full consideration paid for the property. Data on the base in each county on which the tax was levied in 1987 are provided by the Department of Taxation. The realty conveyance tax revenue is allocated to the counties in proportion to the 1987 actual tax base.

116. Licenses and Fees (0.1 percent of total State revenues). Roughly three-quarters of these revenues is from business and professional licenses; the remainder is from recreational licenses for such activities as hunting, camping, and fishing. Accordingly, the variables used to allocate these revenues to the counties are the distributions of (1) the number of business establishments in 1986 (the most recent year for which data are available), weighted 75 percent; and (2) 1987 resident population, weighted 25 percent. Data on the number of business establishments are from U.S. Bureau of the Census, County Business Patterns 1986: Hawaii. CBP-86-13 (August 1988).

117. Other Taxes NEC (0.03 percent of total State revenues). This category is a residual for other taxes. Personal income is used to allocate this revenue among the counties.

118. Fines and Forfeitures (0.5 percent of total State revenues). This category consists of fines primarily from motor vehicle violations, and secondarily from other regulatory violations, such as zoning and land-use regulations. De facto population is used to allocate these revenues among the counties, as the size of

such revenues is influenced by both residents and visitors.

119. Revenue from Other Agencies (0.5 percent of total State revenues). This category consists primarily of private gifts, grants, and contracts to the University of Hawaii, revenues from private sources, and University of Hawaii endowment income. On the understanding that these revenues are raised mostly from within the State--largely for example, from University of Hawaii alumni--they are allocated to the counties on the basis of personal income.

120. Rents, Royalties, and Land Income (0.9 percent of total State revenues). These revenues are earned on assets held by the State of Hawaii. Actual data on revenues received by the Hawaii State Department of Land and Natural Resources in each county are used for that portion (44 percent) of this category represented by such revenues. The variable used to allocate the remaining revenues is acres of State-owned land in each county (Hawaii Data Book, 1988, Table 188).

121. Earnings--General Departments (7.3 percent of total State revenues). The major elements of this category are charges by State hospitals (40 percent of the total) and other charges for current services (50 percent of the total). Other components of this category include University of Hawaii tuition, fees, and sales, and revenues from the sale of units by the Hawaii Housing Authority.

The incidence of the hospital charges among the counties is estimated by resident population. Since residents are assumed to be the primary users and beneficiaries of State hospital services (see line 133), the incidence of the hospital charges is also assumed to fall on them. According to a

Department of Health official, nearly all the hospital revenues received are actually paid through private or public (Medicare or Medicaid) insurance. The ultimate burden of these insurance payments is borne by the residents paying the premiums or taxes to support the public insurance.

Assuming that the demographics of the users of the State hospital system do not vary significantly across counties, resident population best reflects the distribution of the incidence of these charges. The incidence of the other service charges (such as document, registration, public facility, and court fees) in this category is also allocated by resident population, since visitors rarely use the services for which these charges are levied.

122. Earnings--Auxiliary Enterprises (1.1 percent of total State revenues). These revenues of the University of Hawaii include computer service charges, rentals of university facilities and equipment, and bookstore profits. They are allocated to the counties on the basis of personal income.

123. Earnings--Public Service Enterprises (4.8 percent of total State revenues). Approximately 81 percent of this revenue is earned from airports and 19 percent from harbors. Accordingly, the revenue is allocated among the counties 4/5 by the distribution of the number of aircraft operations at the six major airports, and 1/5 by the distribution of short tons of freight traffic at the State's eight commercial harbors. Data on aircraft operations and harbor freight traffic are from the Hawaii Data Book, 1988, tables 550 and 574.

124. Interest Earned (3.6 percent of total State revenues). These

## Advisory Commission on Intergovernmental Relations

---

receipts cannot be attributed to the counties because the revenue originates not only within the State, but also throughout the nation, and even the world.

125. Miscellaneous (2.6 percent of total State revenues). This residual category of revenues is allocated to the counties on the basis of the default variable, personal income.

126. Federal Grants-in-Aid (14.1 percent of total State revenues). Although these receipts originate with federal taxpayers throughout the nation and purchasers of federal securities throughout the world, their incidence can be allocated to the counties if it is assumed that the share of federal grants-in-aid received by the State of Hawaii is roughly equivalent to the share of federal taxes paid by Hawaii residents. It then follows that personal income is a reasonable proxy for the incidence of federal taxes by county.

#### V-4 APPENDIX: ESTIMATION OF THE DISTRIBUTION OF THE BENEFITS FROM STATE EXPENDITURES

This appendix explains the variables and data used to estimate the distribution among the counties of the benefits from actual State expenditures. As in the estimation of county representative expenditures, resident population is the default indicator.

127. Total. The total benefits received in each county from the State services is the sum of the benefits received under each expenditure category below.

128. General Government: Control and Staff (6.8 percent of total State expenditures). General government expenditures include those for the legislature, judiciary, and chief executive, as well as financial administration, personnel management, and legal, building, and other government-wide services. The benefits of these expenditures are apportioned to the counties by resident population. Since general government expenditures benefit the citizenry as a whole, resident population is the best index of benefit for this category.

129. Public Safety: Police, Fire, and Other Protection (3.7 percent of total State expenditures). This category consists largely of expenditures (44 percent) for the State correctional system, but also includes spending for such services as protective inspection and licensing, civil defense, and State police services. The index of benefit used is de facto population, because the services in this category, including corrections, provide the benefits of protection and

rehabilitation to visitors as well as residents.

130. Highways (2.6 percent of total State expenditures). The formula used to allocate the benefits of this category of State expenditures among the counties is the same as that used to estimate the need for county highway services (87.5 percent vehicle miles traveled, 17.5 percent miles of road--line 23), except that lane-miles in the State highway system are substituted for miles of county-maintained roads. Data on lane-miles in the State highway system are from the State Department of Transportation.

131. Natural Resources (0.8 percent of total State expenditures). The services provided under this function relate to the State's agricultural, forest, water, and other natural resources. The index used to distribute the benefits of these services to the counties is de facto population. The benefits provided by regulating, preserving, and enhancing the State's natural resources are enjoyed by residents and visitors alike.

132. Health and Sanitation (4.2 percent of total State expenditures). This category encompasses the range of activities performed by the Department of Health, excluding the operation of the State hospitals. Examples of these services are community health and mental health care, prevention and control of communicable diseases, emergency medical services, and environmental monitoring and regulation.

Many of these public health activities have an essential attribute of public goods: their benefits are enjoyed by every individual present in the community. The benefits from, for example, immunizations and sanitation inspections accrue to all who live in or

visit the area as a result of the reduced risk of communicable diseases and healthier surroundings. This argues for using an index of benefit that includes visitors as well as residents. Hence de facto population is used to allocate this category of State expenditures among the counties, even though a substantial portion--perhaps as high as 80 percent--of this spending can best be characterized as benefiting only residents of Hawaii.

133. Hospitals and Institutions (3.5 percent of total State expenditures). The State hospital system consists of eight major institutions providing acute care, long-term care, and care for specialized populations such as tuberculosis patients. The State Department of Health advises that these facilities are used by the resident population at large, and are the only hospitals available in some locations. While some hospital services (for example, emergency services) are provided to visitors, the proportion of services they consume is considerably smaller than their representation in the de facto population. Accordingly, resident population is the best indicator for allocating this category of expenditures among the counties.

134. Public Welfare (12.2 percent of total State expenditures). Expenditures in this category include health care payments for the indigent, AFDC payments and administration, and other payments and services assisting the poor. The number of persons in poverty is used to distribute the benefits of this category of State expenditures to the counties.

135. Education--Higher (11.2 percent of total State expenditures). This category includes the University of Hawaii and community colleges.

The benefits from expenditures for direct support for community colleges (around 12 percent of the total in the category) are allocated among the counties by actual outlays by the location of each college.

Benefits from expenditures for the remainder of the category, consisting of direct support for the University of Hawaii and systemwide overhead, are allocated to the counties in proportion to their populations aged 15-24. These data for 1984 (*The Population of Hawaii, 1980-1986*, Table 12) are the best available indicator of the college-age population.

Ideally, a weighted sum of the population in the age groups 14-17, 18-24, 25-34, and 35 and older would be used, with weights assigned to each group reflecting the national or statewide proportion of those in the age group enrolled in institutions of higher education. Recent shifts in the age mix of students in higher education institutions toward greater number of older students argue for the broader measure.<sup>5</sup> The data necessary to implement this approach in Hawaii are not available, however.

A population-based variable rather than an enrollment-based variable is used to allocate the benefits from the University of Hawaii expenditures on the rationale that State-provided higher education is available to all State residents, whether or not they elect to use the services. A county's benefits from the availability of State-provided higher education thus relate primarily to the population groups most likely to use these services.

136. Education--Public Education (11.2 percent of total State expenditures). Unlike any other state in the union, in Hawaii elementary and secondary education is the responsibility of the State government. The expenditures for these services

are in this category. These expenditures are allocated among the counties on the basis of actual expenditures for personal services, supplies, and equipment. The data are from the Department of Education, State of Hawaii, Financial Report, Department of Education, July 1, 1986-June 30, 1987 (1988). Administration and other overhead costs are allocated in proportion to direct costs.

137. Education--Libraries and Other (0.9 percent of total State expenditures). Approximately 58 percent of this category of expenditures is for libraries; the remainder is for other educational services, such as vocational rehabilitation, consumer education, and Hawaii public broadcasting. The outlays for libraries are allocated among the counties on the basis of the circulation of the libraries in each county (excluding the Hawaii State Library and Library for the Blind and Physically Handicapped). The data are from the Hawaii Data Book, 1988, Table 112. This allocation is based on the premise that the benefits of public libraries accrue largely to those who borrow library materials. The other educational services included in this category benefit the population at large and are therefore allocated to the counties on the basis of resident population.

138. Recreation (0.6 percent of total State expenditures). The same variable, de facto population, is used to distribute the benefits from this category of State services as is used to estimate the need for county recreation services (see line 28).

139. Utilities and Other Enterprises (5.8 percent of total State expenditures). Of these expenditures, 78 percent is for the operation of State airports, and the remaining 22 percent

is for the operation of State harbors. The formula used to allocate these expenditures among the counties is the same as that used to calculate the incidence of the State revenues from public service enterprises (line 123)--namely, 4/5 on the basis of the distribution of aircraft operations and 1/5 on the distribution of commercial harbor freight.

140. Debt Service (9.9 percent of total State expenditures). The benefits of State expenditures for debt service are allocated to the counties on the basis of de facto population. This is done (1) to reflect the fact that the capital expenditures for which debt is incurred can vary widely by county from year to year but, over time, are likely to benefit all counties in rough proportion to their de facto population; and (2) to be neutral with respect to the means of financing such capital improvements--whether by cash or by borrowing.

141. Retirement and Pension (4.8 percent of total State expenditures). The benefits of this category of expenditures are akin to the benefits from State general government expenditures: they are fixed costs resulting from the existence of the State government and benefit the citizenry as a whole. Thus they are apportioned to the counties on the basis of resident population.

142. Employees' Health/Hospital Insurance (0.02 percent of total State expenditures). Like retirement and pension expenditures, these outlays are part of the overhead cost of running the State government. The benefits of these expenditures are apportioned

---

5. *Ibid.*

to the counties on the basis of resident population.

143. Unemployment Compensation (1.9 percent of total State expenditures). These outlays are compensation paid to private individuals; the benefits can thus be apportioned on the basis of the residence of those individuals. Data on the actual distribution of these payments by county in 1987 are from the Department of Labor and Industrial Relations, State of Hawaii, Unemployment Insurance Fact Book, Hawaii 1988 (March 1988), p. 29.

144. Grants-in-Aid to Counties (1.1 percent of total State expenditures). This category includes only State outlays for Act 155 grants and TAT grants to the counties. Because, presumably, of timing differences, State outlays (\$31.4 million) slightly exceed the amounts recorded as county receipts on lines 15 and 16 (\$30.2 million). The benefits are distributed among the counties in proportion to the distribution of payments received by the counties from Act 155 and TAT grants.

145. Urban Redevelopment and Housing (8.0 percent of total State expenditures). The benefits of these expenditures, almost entirely for the Hawaii Housing Authority, are allocated among the counties by the number of persons in poverty.

146. Miscellaneous (1.8 percent of total State expenditures). These general-government-type expenditures include outlays for commerce and industry, disability compensation, and judgments, claims, and losses. The benefits are apportioned to the counties on the basis of the default allocator, resident population.

147. Cash Capital Improvements (3.3 percent of total State expenditures). In addition to State capital improvement projects, this category includes State grants to the counties for capital improvement projects. As with debt service, the benefits of State expenditures for cash capital improvements are allocated among the counties by de facto population to abstract from the variation in the distribution by county of the capital expenditures funded out of cash from year to year, and to be neutral with respect to the means of financing such capital improvements. The distribution of de facto population best represents the likely distribution of the benefits from these expenditures over time.



## Advisory Commission on Intergovernmental Relations

determining the distribution of final sales among the counties, and computation of tax liability with different county rates would not significantly complicate the exercise. The complication should not be a concern of the State, however, since its costs would be fully reimbursed.

Such an arrangement would require accommodations in the record keeping of wholesalers/distributors, but they certainly could be expected to know the final destinations of shipments from their warehouses in Honolulu.<sup>16</sup> This approach would be equivalent in most relevant respects to a State tax supplement, and the discussion below of that policy option may provide further insight into the tobacco and alcohol tax issue.

### 2. Transfer of the Transient Accommodations Tax from the State to the Counties

The State's transient accommodations tax was enacted in 1986--effective on January 1, 1987--after a long debate involving such issues as the need for a convention center in Waikiki. A special excise tax on accommodations occupied for less than 30 days was one of the major recommendations of the First Tax Review Commission in 1984.<sup>17</sup>

The case for transferring the TAT to the counties rests on the proposition that the incidence of the tax is, more than any other revenue source in Hawaii's fiscal system, on the visitor.<sup>18</sup> The best available estimate is that outlays for lodging account for about 32 percent of total visitor expenditures.<sup>19</sup> This suggests that, if the benefit principle is to be accorded high priority in tax policymaking, the TAT is especially well suited as a source of revenue to finance public services from which visitors benefit significantly. The key

question, then, is what are those services, and are they predominantly provided by the State or by the counties?

The analysis of the budgets of the State and the counties in Chapter V indicates that approximately 53 percent of all public outlays for services from which visitors to Hawaii directly benefit are made by the counties. These services, and the outlays for each, are summarized in Table VIII.1. Beyond observing that no services of significant budgetary consequence benefit visitors exclusively, it is not possible to estimate what proportion of the benefits from each of these services is enjoyed by visitors. The functions shown in Table VIII.1 account for 64 percent of all county expenditures.

By comparison, the major services for which the State government is responsible, with limited exceptions, provide nearly all their benefits to residents of the State. The most important of these services are elementary, secondary, and higher education, public welfare, hospitals, and urban redevelopment and housing. Services directly benefiting visitors are responsible for less than 14 percent of State expenditures.<sup>20</sup>

An additional factor to be weighed in considering transfer of the TAT to the counties is its close relationship to the property tax, the primary source of county revenues. In an important sense, the TAT is a substitute for a property tax targeted to hotels and other transient accommodations. Further, the information generated by the process of compliance with the TAT should be of real use in estimating the market value of such properties. This being the case, it might well make sense to vest responsibility for both taxes in the counties.

Moreover, the TAT, like the property tax, is peculiarly suited to use

and administration by a county

16. In testimony presented to the Committee on Government Operations of the Hawaii Senate in February 1989, spokesmen for wine and beer producers characterized the consequences of transfer of the tax on alcoholic beverages to the counties in terms ranging from "difficult" (Steven M. Nagata, for the Wine Institute) to "disastrous" (Tim Lyons, for the Anheuser-Busch Companies, Inc.).

17. Report of the First Tax Review Commission to the Thirteenth Legislature, State of Hawaii (December 17, 1984), p. 11.

18. Walter Miklius, James E.T. Moncur, and PingSun Leung estimate that 97 percent of the revenue raised by the TAT is paid by tourists [Distribution of State and Local Tax Burden by Income Class, prepared for the Tax Review Commission, State of Hawaii (September 1989), p. 7].

19. Estimate by the Department of Business and Economic Development, State of Hawaii, referenced in Transient Accommodations Tax, Staff Report (Tax Review Commission, State of Hawaii, revised September 6, 1989), p. 5.

20. The State government's outlays for tourism-related activities totaled \$8.5 million in FY 1987, of which \$7.1 million went to support the marketing program of the Hawaii Visitors Bureau. [Tax Foundation of Hawaii estimate and Department of Business and Economic Development, State of Hawaii, The State of Hawaii Data Book, 1988: A Statistical Abstract (November 1988), Table 224.] These expenditures are almost entirely devoted to promotion of the visitor industry in Hawaii, and such economic benefits as these efforts may produce are shared by the residents of the State and owners of hotels and other facilities who may live elsewhere. It does not seem appropriate to view these outlays as generating significant direct benefits for visitors, in the sense that the concept is being used here.

The total appropriation for the State Tourism Office for FY 1990 is \$21.1 million, of which about \$17 million appears likely to be allocated to the HVB for its marketing program. The description of the program of the State Tourism Office in the Executive Budget makes it clear that the above characterization of the incidence of the benefits of the State's FY 1987 outlays in this area remains valid [Department of Budget and Finance, State of Hawaii, The Multi-Year Program and Financial Plan and Executive Budget for the Period 1989-1995 (Budget Period: 1989-91), Vol. 1 (November 1988), pp. 503 and 504].

TABLE VIII.1 PUBLIC SERVICES WITH DIRECT BENEFITS FOR VISITORS, FISCAL YEAR 1987

Service		Expenditures (thousands)
<u>Counties</u>	Total .....	\$813,913
	Subtotal .....	429,025
	Public Safety .....	164,759
	Highways .....	31,591
	Health and Sanitation .....	52,412
	Recreation .....	42,926
	Mass Transit .....	47,837
	Capital Improvements .....	89,500
<u>State</u>	Subtotal .....	384,888
	Public Safety .....	103,916
	Highways .....	72,270
	Natural Resources .....	22,808
	Health and Sanitation/a .....	23,600
	Recreation .....	15,994
	Utilities and Other/b .....	95,000
	Capital Improvements .....	51,300

Note: Services with direct benefits for visitors are those for which the workload measure identified in Chapter V is or includes *de facto* population, with several exceptions: (1) highways, where a major variable (vehicle miles traveled) obviously includes miles traveled by visitors as well as residents; (2) outlays for capital improvements are apportioned between services with direct benefits for visitors and others on the basis of the respective proportions of the total non-capital outlays of the counties and the State government represented by outlays directly benefiting visitors; and (3) see the footnotes below.

a. Includes 20 percent of total outlays for this function. Roughly 80 percent of the spending in the category is for such public health programs as community-based mental health services and school health services that can reasonably be considered to benefit only residents of the State.

b. Includes 59 percent of total outlays for this function, approximately the share represented by the proportion of outlays for State airports that is attributable to visitors (airport outlays are 78 percent of the function, and roughly 75 percent of airport outlays can be attributed to visitors).

Source: Chapter V.

because the taxed transaction takes place within the physical boundaries of the government. Then too, the room rate typically comprehends a substantial element of economic (location) rent, which is uniquely amenable to taxation by local authorities.<sup>21</sup> In other words, there is little risk, at remotely competitive tax rates, of migration of the tax base to other jurisdictions.

Finally, an evaluation of the proposal to transfer the TAT to the

counties must take into consideration the condition of the finances of the State government. In other words, can the State afford the loss of revenue? It is well known that the existing revenue system of the State government generates significantly more receipts than are required to finance its current expenditure obligations.<sup>22</sup> The amount of the excess revenues considerably exceeds the yield of the TAT. This suggests that the State government's finances would not be disequilibrating

if the proceeds of the TAT were no longer available to the State.

Dedication of a portion of the State's budget surplus to finance repeal of the TAT would, of course, have to be weighed against other uses of the surplus. Among these would certainly be reductions in income tax rates and what Fox refers to as "fine tuning" the general excise tax,<sup>23</sup> both modifications of the State government's revenue structure that the analysis in Chapter V of the vertical balance of Hawaii's fiscal system suggests may have substantial merit.

### 3. Exemption of Transient Accommodations from the General Excise Tax Coupled with Transfer of the TAT to the Counties with Authorization to Set a Uniform Rate of Up to 10 Percent

The total tax on transient

21. The transaction may actually not be quite as simple as this statement suggests because purchases of transient accommodations often occur elsewhere than at the site. The State government is reported to have problems verifying the true outlays by visitors for accommodations in cases where they are parts of tour packages, especially when the transactions occur abroad and when the hotels involved are owned by corporations whose home offices are located elsewhere than in Hawaii. This suggests that State assistance would almost certainly be necessary if the counties were to take over the TAT, but that assistance alone might not be sufficient to ensure high compliance with the tax. A recent analysis suggests that the potential base of the TAT "appears to be twice that reported by the Department of Taxation" (Tax Review Commission staff report, Transient Accommodations Tax, op. cit., p. 3).

22. Is Hawaii's Tax System Adequate? Staff Report (Tax Review Commission, State of Hawaii, first draft, August 1989).

23. William F. Fox, Defining the General Excise Tax Base: Exemptions and Pyramiding, report prepared for the Tax Review Commission, State of Hawaii (September 1989), p. 52.

accommodations under current State law is slightly less than 9.7 percent. This is the partially compounded sum of the State transient accommodations tax, at an effective rate of 5.25 percent, and the general excise tax, at an effective rate of roughly 4.4 percent.<sup>24</sup>

The effect of this proposal would be a complete transfer by the State government of transient accommodations as a tax base to the counties. It is appealing from the perspective of simplification of the tax structure and reducing the unseemly appearance of multiple quotations of taxes on visitors' hotel bills. The major issues are whether the additional revenue loss to the State budget would be judged reasonable in light of competing claims, and whether the counties could sustain the necessary case that their outlays for services benefiting visitors are sufficient to justify the additional tax.

#### 4. Transfer of the State Fuel Tax (Highway Use) to the Counties

The benefit principle clearly underlies the taxes levied by the State and the counties in Hawaii on fuels purchased for highway use. The yields of these taxes are deposited in special highway funds of the State and each of the counties, from which withdrawals may only be made to finance outlays for specified, highway-related purposes. Table VIII.2 provides a concise overview of highway finance by the State and the counties. Caution is necessary in interpreting the information in the table because all outlays for highway-related capital improvements may not be included.

A detailed analysis of this function has not been undertaken for purposes of this report. A specific analysis of the State's highway fund is reported to have been conducted in 1988 by a

TABLE VIII.2 HIGHWAY FINANCE IN HAWAII, FISCAL YEAR 1987

Revenue Type and Expenditures	Amounts (thousands)
<b>Total</b>	
Net Revenues/(Deficit) .....	\$ 35,414
Revenues .....	139,275
Expenditures .....	103,861
<b>Counties</b>	
Net Revenues/(Deficit) .....	11,389
Revenues, Subtotal .....	42,980
Liquid Fuel Taxes .....	25,181
Motor Vehicle Weight Taxes .....	17,799
Expenditures .....	31,591
<b>State</b>	
Net Revenues/(Deficit) .....	24,025
Revenues, Subtotal .....	96,295
Liquid Fuel Taxes .....	39,954
Motor Vehicle Weight Taxes .....	17,820
Federal Grants-in-Aid .....	38,521
Expenditures .....	72,270

Note: The amounts shown for the counties do not correspond to the totals for their "highway" funds, which include significant other revenues (from such sources as the public utility and franchise tax and parking meters) and expenditures (for such purposes as street lighting and subsidies for mass transit). The differences are substantial. For example, the expenditures of the City and County of Honolulu for highways in FY 1987 total \$19.3 million, and its revenues from the liquid fuel and vehicle weight taxes are \$31.4 million. By contrast, the total revenues and expenditures of Honolulu's Highway Fund in FY 1987 are, respectively, \$55.2 million and \$51.6 million.

Sources: Tax Foundation of Hawaii, Government in Hawaii, 1988 (1988), tables 15 and 30; City and County of Honolulu, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 1987 (December 31, 1987), pp. 114 and 122.

task force of the executive branch of the State government but a copy of the report of the task force was not available to the authors of the present report. A few observations are prompted by the array of information in Table VIII.2.

First, the taxes paid directly by highway users, together with federal grants, substantially exceed outlays in the State for construction and maintenance of highways. Second,

consecutive days. Gross receipts include the TAT, if it is quoted separately on the bill, as well as commissions paid to travel agents, but not the GET if it is quoted separately on the bill. Consider a hotel room whose established rate is \$100.00. The TAT, applied first, is \$5.26. Computed as a conventional sales tax, the effective rate of the TAT is 5.263 percent. (At its simplest, the calculation can be illustrated by considering that the TAT on gross rental receipts of \$100.00 would be \$5.00, implying a room rate of \$95.00, for an effective tax rate of \$5/\$95, or 5.263 percent.) The GET on the \$100 room is \$4.39—4 percent of the gross receipts of the hotel from the room (\$109.65). Computed as a sales tax, the effective rate of the GET is 4.39 percent of the quoted room rate, or 4.16 ... 7 percent of the cost of the room including the TAT.

24. The TAT is 5 percent of the gross receipts from the rental of accommodations customarily occupied by a transient for fewer than 180