

James Mak

June, 2015

JAMES MAK

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EDUCATION

Ph.D., Economics, Purdue University (Indiana), 1970
M.A., Economics, Miami University (Ohio), 1966
B.S., Business and Economics, Wilmington College (Ohio), 1964.

EMPLOYMENT HISTORY

2010-	Professor Emeritus of Economics and Fellow, University of Hawaii Economic Research Organization
1970-2009	University of Hawaii at Manoa (UHM)
Spring, 2006- Summer, 2007	Chair, Department of Economics, UHM
Fall, 2005	Interim Chair, Department of Economics, UHM
Summer, 2004	Senior Fellow, East-West Center, Honolulu, Hawaii.
Summer, 1995	Visiting Professor Graduate School of International Co-operation Studies Kobe University (Kobe, Japan)
AY1990 - AY1992	Chair, Department of Economics University of Hawaii at Manoa
Spring 1987	Acting Dean, College of Social Sciences University of Hawaii at Manoa
Summer 1984	Acting Director, Social Science Research Institute University of Hawaii at Manoa
1981 - 1982	Visiting Professor, Economics University of British Columbia (Vancouver, Canada)
Fall 1974	Visiting Associate Professor, Economics

James Mak

Purdue University (W. Lafayette, Indiana)

Spring 1974

Staff Economist (on loan from University of Hawaii)
State of Hawaii
House of Representatives

1969 - 1970

Visiting Instructor/Assistant Professor, Economics
Miami University (Oxford, Ohio)

RESEARCH INTERESTS

Economics of Travel and Tourism, Public Finance, Hawaii's Economy

PUBLICATIONS

Books

Developing a Dream Destination: Tourism and Tourism Policy Planning in Hawaii (Honolulu: University of Hawaii Press, 2008).

Tourism and the Economy, Understanding the Economics of Tourism (Honolulu: University of Hawaii Press, November, 2004). Japanese edition published by Nippon Hyoronsha (2005).

(with S. Abe, K. Igawa, and S. Sunder, eds.) *Japan: Why It Works, Why It Doesn't*, (Honolulu: University of Hawaii Press, 1998),

(with L. Hendricks and G. Tamaribuchi), *Hawaii's Economy*, (Honolulu: State of Hawaii, Dept. of Education, 1989).

(with E. Haites and G. Walton), *Western River Transportation During the Era of Early Internal Improvements*, (Baltimore: John Hopkins University Press, 1975).

(with R. Ebel), *Current Issues in Hawaii's Economy*, (Honolulu: Crossroads Press, 1974).

Articles and Monographs

(with Carl Bonham), "The Growing Importance of Tourism in the Global Economy and International Affairs," *Georgetown Journal of International Affairs*, July 22, 2014.

"Are Hotel Property Taxes Fully Passed On to Hotel Guests? Implications from Recent Research on Property Tax Incidence," *Tourism Economics*, on-line version available February 12, 2014 at DOI: <http://dx.doi.org/10.5367/te.2014.0378>. Print version in 2015.

(with Shawn Arita and Sumner LaCroix), "How China's Approved Destination Status Policy Spurs and Hinders Chinese Travel Abroad," *Education About Asia*, 2013.

(with Eugene Tian and PingSun Leung), "The Direct and Indirect Contributions of Tourism to Regional GDP: Hawaii," in Clem Tisdell, ed., *Handbook of Tourism Economics—Analysis, New Applications and Case Studies*, London, UK: World Scientific Publishing, 2013.

(with Andrew Kato), "Technical Progress in Transport and the Tourism Area Life Cycle," in

Clem Tisdell, ed., *Handbook of Tourism Economics—Analysis, New Applications and Case Studies*, London, UK: World Scientific Publishing, 2013.

“What Should Be the Appropriate Tax Base for OTCs’ Hotel Room Sales?” *State Tax Notes*, September 17, 2012.

“From Steamboat to Tourism Economics,” in Larry Dwyer, ed., *The Discovery of Tourism Economics*, Tourism Social Science Series, Vol. 16, Bingley, U.K.: Emerald Group Publishing, 2011. Outstanding Author Contribution Award, the Emerald Literature Network Awards for Excellence, 2012.

(with Shawn Arita, Christopher Edmonds and Sumner LaCroix), “The Impact of Approved Destination Status on Mainland Chinese Travel Abroad: An Econometric Analysis,” *Tourism Economics*, October, 2011.

(with Sally Kwak), “The Political Economy of Property Tax Reform: Hawaii’s Experiment with Split Rate Property Taxation,” *American Journal of Economics and Sociology*, Vol. 70, No. 1, January, 2011.

(with Andrew Kato and Sally Kwak), “Using the Property Tax to Appropriately Gain from Tourism,” *Journal of Travel Research*, on-line March, 2010.

(with Chris Sheehy and Shannon Toriki), “The Passenger Vessel Services Act and America’s Cruise Ship Industry,” *Research in Transportation Economics*, 26, 2010.

(with Andrew Kato and Sumner LaCroix), “Small State (Hawaii), Giant Tax Credits,” *State Tax Notes*, November 30, 2009.

(with Sally Kwak), “Taxing Timeshare Occupancy in Hawaii,” *State Tax Notes*, February, 2009.

(with Roger Blair), “Saving the Last ‘American’ Cruise Ship,” *Milken Institute Review*, October, 2008.

“Taxing Cruise Tourism: Alaska’s Head Tax on Cruise Ship Passengers,” *Tourism Economics*, September, 2008.

(with R. Blair and C. Bonham), “Collusive Duopoly: The Economic Effects of the Aloha and Hawaiian Airlines’ Agreement to Reduce Capacity,” *Antitrust Law Journal*, vol. 74, no. 2, 2007.

(with C. Bonham and C. Edmonds) “Impact of 9/11 and Other Terrible Global Events on Tourism in the U.S. and Hawaii,” *Journal of Travel Research* (August, 2006).

(with J. Cai and P.S. Leung), “Tourism’s Forward and Backward Linkages,” *Journal of Travel Research* (August, 2006).

“Taxation of Travel and Tourism,” in L. Dwyer and P. Forsyth (eds.) *International Handbook on the Economics of Tourism*, (London: Edward Elgar Publishing Ltd., 2006).

(with C. Edmonds), “Tourism and Terrorism in the Asia Pacific Region: Is Travel and Tourism in a New World after 9/11?” in 13th East Asian International Symposium, *New Aspects of Tourism in the East Asia & Pacific Region*, held at Yamaguchi University, November 20, 2005.

(with L. Carlile and S. Dai), "Impact of Population Aging on Japanese International Travel to 2025." *Journal of Travel Research* (November 2005).

"Tourism Demand and Output in the U.S. Tourism Satellite Accounts: 1998-2003." *Journal of Travel Research*, vol. 44 (August, 2005).

"Tourist Taxes," in *The Encyclopedia of Taxation and Tax Policy* (Washington D.C.: Urban Institute Press, (2005).

(with P. S. Leung), *The Contribution of the University of Hawaii to Hawaii's Economy in 2003* (Honolulu: University of Hawaii at Manoa, Office of the Vice President for Planning and Policy, August 2004).

(with J. Moncur), "Interstate Migration of College Freshmen," *Annals of Regional Science* (December, 2003).

"Economic Regulation of Waterborne Transportation," *Oxford Encyclopedia of World Economic History* (2003).

(with P. S. Leung, J. Brown and M. Sakai) *The Economic Impact of the University of Hawaii System* (Honolulu: University of Hawaii at Manoa, Office of the Vice President for Planning and Policy, 2001).

(with S. LaCroix), "Regulatory Reform in Japan: The Road Ahead," in M. Blomstrom, B. Gangnes, and S. Lacroix (eds), *Japan's New Economy: Continuity and Change in the 21st Century*, (London: Oxford University Press, 2001).

(with M. Sakai and J. Brown), "Population Aging and Japanese International Travel in the 21st Century" *Journal of Travel Research* (February, 2000). *Journal of Travel Research 2001 Best Article Award, 2000 issue.*

(with S. Sunder, Y. Abe, and K. Igawa), "The Japanese Economy in U.S. Eyes: From Model to Lesson," *Education About Asia* (Fall, 1998).

(with J. Moncur), "Political Economy of Protecting Unique Recreational Resources: Hanauma Bay, Hawaii" *Ambio* (May, 1998).

(with C. Bonham), "Private vs. Public Financing of State Destination Promotion," *Journal of Travel Research* (Fall, 1996).

(with J. Moncur), "Sustainable Development: Managing Hawaii's Unique Touristic Resource, Hanauma Bay," *Journal of Travel Research* (Spring, 1995).

(with S. La Croix and L. Rose), "The Political Economy of Urban Land Reform in Hawaii," *Urban Studies*, (1995).

(with S. Naya), "Is There a Need for a Pacific Islands Development Bank?", *Pacific Economic Bulletin*, vol. 9, no. 2 (Dec. 1994); also in Economic and Social Commission for Asia and the Pacific, *Pacific Island Countries: Selected Issues in Development Policy and Subregional Cooperation in the 1990s* (New York: United Nations, 1995); also in Kazuhiro Igawa (ed.), *Economic Relations and Developments in Asia and Pacific* (Kobe: Research Institute for Economics and Business Administration, 1997.)

(with M. Sakai), "State and Local Government Taxation of Travel: Theory and Practice," *Tourism: The Economy's Silver Lining*, Proceedings of the Twenty-Fifth Annual TTRA Conference (October, 1994).

(with M. Sakai), *Revenue Diversification: State and Local Travel Taxes* (Washington, D.C.: U.S. Advisory Commission on Intergovernmental Relations, April 1994).

"Exacting Hotel Developers to Generate Non-Tourism Jobs", *Annals of Tourism Research*, 2, (1993).

(with S. Naya), "Economic Co-operation: Asia Pacific and the Pacific Islands," *Pacific Economic Bulletin* (December, 1992), also R.V. Cole and S. Tambunlertchai, *The Future of Asia-Pacific Economies: Pacific Islands at the Crossroads?* (Canberra: The National Centre for Development Studies, Australian National University, 1993).

(with C. Bonham, E. Fujii, and E. Im), "The Impact of The Hotel Room Tax: An Interrupted Time Series Analysis," *National Tax Journal*, (December, 1992.)

(with K. White), "Comparative Tourism Development in Asia and the Pacific," *Journal of Travel Research* (Summer, 1992).

(with S. La Croix and W. Miklius), "Evaluation of Alternative Arrangements for the Provision of Airport Taxi Service", *The Logistics and Transportation Review* (June, 1992).

(with E. Im and E. Fujii), "The Economics of Direct Flights," *Journal of Transport Economics and Policy* (May, 1992).

(with M. Sakai), "Tourism in Hawaii: Economic Issues for the 1990s and Beyond," *Politics and Public Policy in Hawaii* (N.Y. SUNY Press, 1992).

(with M. Sakai), "The Economics of the Golf Industry in Hawaii," *Golf Course Development in Hawaii, Impact and Policy Recommendations* (Honolulu: Office of State Planning, January, 1992).

(with E. Im and E. Fujii), "Airport Expansion, Direct Flights, and Consumer Choice of Travel Destinations," *Journal of Travel Research*, (Winter 1992).

(with M. Sakai), "Taxation of Foreign Real Property Investments in the U.S.: A State Perspective," *Intergovernmental Perspective* (Summer, 1991).

(with W. Miklius), "State Government Financing of Tourism Promotion in the U.S.," in *Proceedings of the National Tax Association and Tax Institute of America Meeting* (1990). Also abstracted in *Tax Notes*, vol. 45, no. 4, (October 23, 1989.)

"The Tourist Industry," in R. Ebel (ed.), *A Fiscal Agenda for Nevada*. (Reno: University of Nevada Press, 1990).

(with R. Rafuse, Jr. and others), *Intergovernmental Fiscal Relations in Hawaii*, (Washington, D.C.: U.S. Advisory Commission on Intergovernmental Relations, 1989).

"The Economic Contribution of Travel to State Economies," *Journal of Travel Research*, (Fall,

1989). Reprinted in R.W. McIntosh and C.R. Goeldner, *Tourism, Principles, Practices, Philosophies*, 6th ed. (N.Y.: John Wiley and Sons, 1990.)

"Taxing Hotel Room Rentals in the U.S.," *Journal of Travel Research*, (Summer, 1988).

"Fiji," *International Tourism Reports*, (April, 1988).

(with K. White), "Tourism in Asia and the Pacific," in *Trade and Investment in Services in the Asia-Pacific Region*, (Boulder, Co.: Westview Pres, 1988); also in *Pacific Focus*, vol. III, no. 1, Spring, 1988.

(with S. Jackstadt), *The Saga of Ihu Nui*, (Honolulu: State of Hawaii, Dept. of Education, 1978 and 1987).

"Tourism: Is It For Your Community," in *Tourism As An Economic Generator: Strategies For Regional Development*, (Vancouver, B.C.: Simon Fraser University, 1987).

(with E. Fujii and M. Khaled), "An Empirical Comparison of Systems of Demand Equations for Tourist Expenditures in Resort Destinations" *Philippine Review of Economics and Business*, (March, July, 1987).

(with S. La Croix and W. Miklius), "The New Standards of Unfair Competition: An Economic Analysis of the DuPont Litigation," *Hawaii Law Review*, (1987). (Also in WESTLAW.)

(with P. Sheldon), "Demand for Package Tours: A Mode Choice Model", *Journal of Travel Research*, (Winter 1987).

(with S. La Croix and W. Miklius), "Airport Taxi Regulation: An Analysis of An Exclusive Contract," *Transportation*, 1986.

(with E. Fujii and M. Khaled), "The Exportability of Hotel Occupancy and Other Tourist Taxes," *National Tax Journal*, (June, 1985). Reprinted in Clement A. Tisdell (ed), *Economics of Tourism in International Library of Critical Writings in Economics series* (Mark Blaug, editor.), (London: Edward Elgar Publishing Ltd., October, 2000) .

(with E. Fujii and M. Khaled), "An Almost Ideal Demand System for Visitor Expenditures," *Journal of Transport Economics and Policy*, May, 1985).

(with E. Fujii), "On the Relative Economic Progress of Native Born Filipino Men," *Economic Development and Cultural Change*, (April, 1985).

(with E. Fujii and M. Hennessey), "An Evaluation of the Validity and Reliability of Survey Response Data on Household Electricity Conservation," *Evaluation Review*, (February, 1985).

(with E. Fujii), "A Model of Household Electricity Conservation Behavior," *Land Economics*, (November, 1984).

(with M. Fry), "Is Land Leasing a Solution to Unaffordable Housing?" *Economic Inquiry*, (October, 1984).

(with E. Fujii), "On the Specification of the Income Equation for Immigrants," *Southern Economic Journal*, (1983).

(with E. Fujii), "The Determinants of Income of Native and Foreign Born Men in a Multiracial Society," *Applied Economics*, (1983).

(with E. Fujii), "The Effects of Acculturation and Assimilation on the Income of Immigrant Filipino Men in Hawaii," *Philippine Review of Economics and Business*, (1981).

(with E. Fujii), "Forecasting Recreational Travel Demand: Some Methodological Issues," *Annals of Regional Science*, (July, 1981).

(with E. Fujii), "The Impact of Hotel Size on Staffing Levels in Hawaii," *International Journal of Tourism Management*, (March, 1981).

(with J. Moncur), "Demand for Travel Agents," *Journal of Transport Economics and Policy*, (May, 1980).

(with J. Moncur), "The Choice of Journey Destinations and Lengths of Stay: A Micro Analysis," *Review of Regional Studies*, (1980).

(with E. Fujii), "Forecasting Travel Demand When the Explanatory Variables are Highly Correlated," *Journal of Travel Research*, (Spring 1980).

(with E. Fujii), "Tourism and Crime: Implications for Regional Development Policy," *Regional Studies*, (February, 1980).

(with E. Fujii), "The Impact of Alternative Development Strategies on Crime Rates: Tourism vs. Agriculture in Hawaii," *Annals of Regional Science*, (November, 1979).

(with E. Nishimura), "The Economics of a Hotel Room Tax," *Journal of Travel Research*, (Spring, 1979). Also in *Philippine Review of Economics and Business*, (1977). Reprinted in Clement A. Tisdell (ed.), *Economics of Tourism in The International Library of Critical Writings in Economics series*. (Mark Blaug, editor) (London: Edward Elgar Publishing Ltd., October, 2000).

Hawaii State Tourism Study, Public Revenue-Cost Analysis, (Honolulu: Office of Tourism, Department of Planning and Economic Development, State of Hawaii, 1978).

(with E. Haites), "Social Savings Due to Western River Steamboats," *Research in Economic History*, III (1978).

(with E. Haites), "Economies of Scale in Western River Steamboating: A Reply," *Journal of Economic History*, (June, 1978).

(with W. Miklius), *Guam's Visitor Industry, An Economic Assessment*. (Agana: Bureau of Planning, Government of Guam, 1977).

(with J. Moncur and D. Yonamine), "How or How Not to Measure Tourist Expenditures," *Journal of Travel Research*, (Summer, 1977).

(with R. Ebel and J. Moncur), "The Future of Hawaii's Major Exports," in *Tourism and Regional Growth*, M. Ghali (ed.), (Leiden, Martinus Nijhoff Social Sciences Division, 1977).

James Mak

(with E. Haites), "Economies of Scale in Western River Steamboating," *Journal of Economic History*, (September, 1976).

(Team Leader, with others), *An Analytical Study of Alternative Gasoline Rationing Plans for Hawaii*, (Center for Government Development, University of Hawaii, October, 1975).

(with J. Attack, E. Haites and G. Walton), "Profitability of Western River Steamboating," *Business History Review*, (Autumn, 1975).

(with E. Haites), "Documented Merchant Vessels on Western Rivers," Series Q787 in *Historical Statistics of the United States*, (1975).

An Investigation of the Hawaii Gasoline Market, A Report of the House Special committee on Energy, House of Representatives, State of Hawaii, Seventh Legislature, Second Session (March, 1974).

(with E. Haites), "The Decline of Steamboating in the Antebellum Western Rivers. Some New Evidence and an Alternative Hypothesis," *Explorations in Economic History*, (October, 1973).

(with G. Walton) "On the Persistence of Old Technologies: The Case of Flatboats," *Journal of Economic History*, (June, 1973).

(with G. Walton), "Steamboats and the Great Productivity Surge in River Transportation," *Journal of Economic History*, (September, 1972).

(with E. Haites), "Steamboating on the Mississippi: A Study of a Purely Competitive Industry," *Business History Review*, (Spring, 1971).

(with E. Haites), "Ohio and Mississippi River Transportation, 1810-1860," *Explorations in Economic History*, (Winter, 1970-71).

(with H. Prescott Beighley), "The Effect of A Marketing Order on Winter Carrot Prices: A Comment," *The American Journal of Agricultural Economics*, (November, 1969).

SHORT ARTICLES

(with K. Igawa), "Why Do So Many Japanese Contribute to Public TV?" *Economics America: West*, vol. 4, no. 1 (Fall, 1996).

(with M. Sakai), "Is Foreign Investment Good or Bad for Hawaii," in *Price of Paradise* (Hon.: Mutual Publishing, 1992).

"Are We Overtaxing Tourists," in *Price of Paradise* (1992); also reprinted in *State Tax Notes*, vol. 5, no. 3 (July 19, 1993).

"Why Would Government Force Landowners to Sell Their Land to Lessees?" *Price of Paradise* (1992).

(with W. Miklius), "Why Can't the Tourist Industry Pay for Travel Promotion and a Convention Center" in *Price of Paradise*, vol. II (Hon.: Mutual Publishing, 1993).

OTHER WORKS, UNPUBLISHED

Creating "Paradise of the Pacific": How Tourism Began in Hawaii, University of Hawaii Economic Research Organization (UHERO) Working Paper No. 2015-1. Honolulu: February 17, 2015.

Airline Deregulation in the U.S. and Japan, Prepared for presentation at Okinawa International University, Japan, January 24, 1999.

(with D. Konan and J. Moncur), *Water Rebates in Hawaii: A Computable General Equilibrium Analysis*, Prepared for the Honolulu Board of Water Supply by the University of Hawaii Economic Research Organization, December, 1998.

(with K. Mattson, P. S. Leung, and others), *Background Paper on Japanese Investment in Hawaii: Past and Future* (Honolulu: University of Hawaii Economic Research Organization, Department of Economics, University of Hawaii at Manoa, September, 1998).

(with M. Loke, W. Miklius, and K. Tucker), *Opportunities for the Development of Health/Medical Care Tourism in Hawaii*, (Honolulu: Center for Tourism Policy Studies, School of Travel Industry Management, University of Hawaii at Manoa, December, 1994.)

Public Finance in Kosrae, Federated States of Micronesia, (Honolulu, Pacific Business Center Program, University of Hawaii, November, 1988).

Pohnpei State Five Year Development Plan, 1985-1989, vol. II, February, 1985. *Ponape State Development Plan, 1985-1989: A Condensed Summary*, Prepared for the Ponape State Legislature, Federated States of Micronesia, (January, 1984).

The National Overall-Economic Development Plan for the Federated States of Micronesia, 1985-1989: A Few Observations, Prepared for the Ponape State Legislature, Federated States of Micronesia, (February, 1984).

An Evaluation of the Consequences of Reducing the Sample Fraction for the Westbound Basic Data Survey from 20% to 10%, Prepared for Hawaii Visitors Bureau Research Committee (May, 1984).

Review of Hawaii Visitors Bureau Expenditure Surveys, Prepared for Hawaii Visitors Bureau, Research Committee (November, 1982).

A Concise Economic History of the Hawaiian Islands, (August, 1978), 50 pages.

(with L. Pham and W. Miklius), *Factors Influencing Household Demand for Home-Work Trips for Automobile and Their Implication on Energy Conservation: A Case Study of Hawaii Kai Residents*, Honolulu: University of Hawaii, Social Sciences Linguistics Institute, (January, 1976).

How Do Hawaii Residents Use Their Household Automobiles, Honolulu: University of Hawaii, Social Sciences Linguistics Institute, (December, 1975).

RECENT CONFERENCE PAPERS

"Taxing Hotel Room Sales by Online Travel Companies: What Should be the Appropriate Tax Base," Association for University Economics and Business Research (AUBER), 2012 Conference, Honolulu, HI. October 27-30, 2012.

(with Shawn Arita, Christopher Edmonds and Sumner LaCroix), "Impact of 'Approved Destination Status' on Mainland Chinese Travel Abroad: An Econometric Analysis," 2nd Conference of the International Association of Tourism Economics, Chiang Mai, Thailand, December 11-13, 2009.

(with Andrew Kato and Sally Kwak), "Using the Property Tax to Appropriately Gains from Tourism," 102nd National Tax Association Annual Meeting, Denver, Colorado, November 12-14, 2009.

(with Sally Kwak), "Taxing Time Share Occupancy," 101st National Tax Association Annual Meeting, Philadelphia, PA, November, 20-22, 2008.

"Saving the Last American Cruise Ship," Association of University Business and Economic Research (AUBER) Conference in Bellingham, WA, October 11-14, 2008.

HONORS & AWARDS

Outstanding Author Contribution Award, the Emerald Literati Network Awards for Excellence, 2012.

Journal of Travel Research, Charles Goeldner Best Article Award in Year 2000 volume, June, 2001.

Robert W. Clopton Award for Outstanding Service to the Community, University of Hawaii at Manoa, 2000.

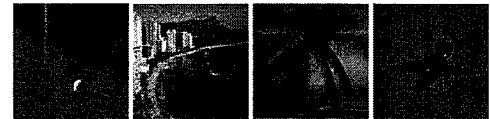
University of Hawaii, College of Social Sciences Excellence in Teaching Award, 1997-98.

Stephen Jackstadt Award, Hawaii Council on Economic Education for outstanding contribution to the advancement of economic education in Hawaii, 1991.

Cole Prize (1974), Best Article published in *The Journal of Economic History*, 1972-73.

State of Hawaii, House of Representatives and Senate Concurrent Resolution No. 77, 1974.

Outstanding Teaching Award, University of Hawaii, Department of Economics, 1974.



Joseph M. Toy

Mr. Toy is the President & CEO of Hospitality Advisors LLC based in Honolulu, Hawai'i. Joseph Toy has over 30 years in management consulting and public accounting on an international basis. He formerly served as the Director and Practice Leader for PricewaterhouseCoopers' Global Hospitality Consulting Services practice for Hawai'i and the Asia Pacific region. Mr. Toy has also held senior positions with the Honolulu offices of Pannell Kerr Forster and KPMG. His extensive international experience includes a two year assignment in the Stockholm, Sweden office of Price Waterhouse & Co., as well as assignments in Brazil, England, France, Cyprus, Australia, China, the Caribbean, Hong Kong, Philippines, India, Taiwan, Korea, Singapore, Thailand, Guam, Saipan, Samoa, Tonga, and the Cook Islands.

Mr. Toy has substantial experience in acquisition/divestment services, market and economic studies, strategic planning, operational and management advisory services, financial analysis, litigation, tourism studies, and government consulting at the local, state, and federal levels. He has provided transaction consulting services related to hotels, resorts and golf courses of approximately \$6 billion, and has provided insolvency and restructuring services to both owners and lenders for hotels, resorts, golf courses, mixed use, resort residential and retail that had a combined non-performing loan value of over \$4 billion. Mr. Toy frequently serves as the Court-appointed Receiver, Foreclosure Commissioner, and Federal Bankruptcy Trustee for hotels, resorts, and golf courses throughout the state. He is a member of the Association of Insolvency and Restructuring Advisors, the International Society of Hospitality Consultants and the American Institute of Certified Public Accountants.

Mr. Toy was recently inducted into the University of Hawai'i School of Travel Industry Management Alumni Hall of Honors for his contributions to Hawai'i's visitor industry, with the award presented to Mr. Toy by Governor Neil Abercrombie. Mr. Toy is also a lecturer at the Executive Development Institute for Tourism (EDIT) at the University of Hawai'i at Mānoa, and previously served as a Fellowship Lecturer for the Madrid-based World Tourism Organization, a United Nations agency.

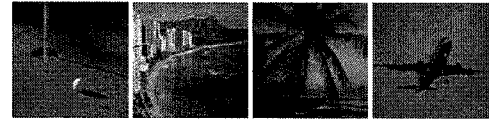
EDUCATION

Masters in Science, University of Hawai'i, Graduate School of Travel Industry Management with concentration in resort and tourism development

Bachelor in Business Administration, University of Wisconsin, dual major in Accounting and Finance, specialization designation in International Business

PROFESSIONAL AFFILIATIONS

Association of Insolvency and Restructuring Advisors
International Society of Hospitality Consultants
American Institute of Certified Public Accountants
International Association of Hotel Accountants (International Education Committee)
American Resort Developers Association (Past Board Member)
Pacific Asia Travel Association (Past Executive Committee Member, Past International Board of Directors, Past Chair/Member, Research Advisory Council Bangkok, Thailand)
Pacific Asia Travel Association – Hawai'i Chapter (Past Chairman)
Travel and Tourism Research Association (Past President)
Hawai'i Society of Certified Public Accountants



Hotel Sales & Marketing Association (Past Board of Directors)
Sales and Marketing Executives Council (Past Board of Directors)
Hawai'i Hotel Association
Hawai'i Society of Corporate Planners (Past Board of Directors)
Hawai'i Economic Association
Hawai'i Developers Association

PUBLICATIONS

- Editor and founder, "Hawai'i Hotel Flash Report," monthly publication.
- Editor and founder, "Weekly Hotel Report," weekly publication
- Editor and founder, "Hawai'i Hotel Financial Survey," annual report. Prepared in conjunction with Smith Travel Research.
- Authored numerous articles in various Hawaii, U.S. and global publications, and is a recurring guest on the Morning Business Report with Howard Dicus, KHNL and KMGB TV

Mr. Toy has been cited or quoted in media regarding Asia Pacific and Hawai'i tourism issues including:

ABC News
Asian Wall Street Journal
Barron's
Bloomberg Business News
CNBC
CNN
Conde Nast Traveler
Far Eastern Economic Review
Fox News
Hawai'i Business
Honolulu Advertiser
Honolulu Star Bulletin
Hotel & Motel Management

Hotel Business
Hotels Magazine
Houston Chronicle
International Herald Tribune
Khaleej Times
Los Angeles Times
MSNBC
New Delhi Observer
New York Times
NHK Japan Television
Nikkei Business
Pacific Business news
Philadelphia Enquirer

San Francisco Chronicle
Seattle Post Intelligence
Shanghai Daily
Singapore Times
Taipei Times
The China Post
The Maui News
The Wall Street Journal
Tour & Travel News
Travel Weekly
U.S. News & World Report
USA Today
Washington Post



CHERYL M. PALESH, PE, LEED AP

VICE PRESIDENT / DIRECTOR OF ENGINEERING

Ms. Palesh has extensive experience in environmental and civil engineering. She has served as principal-in-charge, project manager, project civil engineer, and designer on a wide variety of environmental, site development, and infrastructure design projects. She also has extensive experience in infrastructure master planning, residential and industrial subdivision development and building site design. Project responsibilities have included site investigations, facilities layout and design, management, design team coordination and construction contract administration. As director of engineering, Ms. Palesh is responsible for the engineering functions for Belt Collins Hawaii, providing technical guidance, quality reviews, project scheduling, mentoring, and marketing support.

EDUCATION

M.S., Environmental Engineering, Illinois Institute of Technology
B.S., Chemistry, Roosevelt University
Workshop, Uniform Federal Accessibility Standard & ADA Guidelines

REGISTRATION

Civil Engineer, Hawai'i
Civil Engineer, Guam
Sanitary Engineer, Virginia
LEED Accredited Professional
Certified Qualified Storm Water Compliance Manager

AFFILIATIONS

Society of American Military Engineers (SAME), Honolulu Post
City and County of Honolulu, Building Board of Appeals

SELECTED PROJECTS

MASTER PLANS / ENVIRONMENTAL IMPACT STATEMENTS (EIS)/ASSESSMENTS (EA)

Turtle Bay Resort Supplemental EIS, O'ahu
Kalaeloa Infrastructure Master Plan, O'ahu
Infrastructure Master Plan for Villages of La'i 'Ōpua, Island of Hawai'i
Queen Lili'uokalani Trust Keahuolū Lands EIS, Island of Hawai'i
Hilton Hawaiian Village Master Plan and Grand Islander Timeshare Tower EIS, O'ahu
Queen's Medical Center Redevelopment, Assessment/Planning, Honolulu, Oahu
Ka Makana Ali'i Regional Shopping Center EA, Kapolei, O'ahu
Honolulu Zoo Infrastructure Master Plan and EA, O'ahu
Barbers Point Naval Air Station Base Closure and Realignment EIS, Kalaeloa, O'ahu
Wastewater Master Plan for Villages of La'i 'Ōpua, Island of Hawai'i
The Uplands at Mauna Kea Wastewater Master Plan, Island of Hawai'i

ENGINEERING STUDIES / ASSESSMENTS

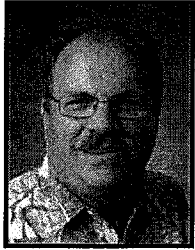
'Ewa Transportation Impact Fee Update, O'ahu
Infrastructure Assessment for Waimea Plantation Cottages and Kikiaola Lands, Waimea, Kaua'i
Young Brothers Maintenance Facility Assessment and Design of Container Rinse Facility, Honolulu Harbor, O'ahu
PVT Demolition Material Landfill, Nanakuli, O'ahu
NPDES Permit Best Management Practices Plans for DOT Municipal Separate Storm Sewer System

COMMUNITY/INFRASTRUCTURE DESIGN

Kaomi Loop Industrial Subdivision, 'Ewa, O'ahu
Kenai (f.k.a. Camp Malakole) Industrial Subdivision, 'Ewa, O'ahu
Kapolei Business Park Industrial Subdivision Phase 2, Kapolei, O'ahu
Keala'olu Avenue Shoulder Improvements, O'ahu
Kuilima Drive Widening, Turtle Bay Resort, O'ahu
Nānākuli Residence Lots (Scattered), O'ahu
Water Main Replacement, Kamehameha Highway, Hale'iwa, O'ahu
Wai'anae Valley Interceptor Sewer and Extension, O'ahu
Ane Keohokālole Highway and, Palani Road Improvement, North Kona, Island of Hawai'i
Waikoloa Resort Sewage Pumping Station No. 1 Relocation Design and Construction Services, Island of Hawai'i
Hali'i Kai Sewage Pumping Station Design and Construction Services, Waikoloa, Hawai'i
South Kohala Wastewater Corp. Sewage Pumping Station No. 3 Design and Construction Services, South Kohala Resort, Island of Hawai'i
Hāpuna Beach Prince Hotel Sewage Pumping Station Design and Construction Services, South Kohala Resort, Island of Hawai'i
Lili'uokalani Trust Keahuolū Well and Reservoir Design and Construction Services, Island of Hawai'i
Queen Ka'ahumanu Highway and Waikoloa Road Intersection, Island of Hawai'i
Queen Ka'ahumanu Highway and Makala Boulevard Intersection, Makala Boulevard Extension, and Luhia Street Extension, Keahuolū, Kona, Island of Hawai'i
Māmalahoa Highway and Ka'imani Street and Hamo Street Intersections Improvements Evaluation, Kula Nei, Island of Hawai'i
Waikoloa Beach Drive Extension - Phase IV, Waikoloa, Island of Hawai'i
Wai'ula'ula, Moani Heights, 'Āpa'apa'a Heights and the Bluffs at Mauna Kea Subdivisions, Mauna Kea Resort, South Kohala, Island of Hawai'i
Waikoloa Beach Marriott Renovation, Waikoloa, Island of Hawai'i
Site Engineering Design and Environmental Assessment for Hualālai Well Development, Island of Hawai'i
Villages of La'i 'Ōpua Backbone Infrastructure Phases I and Phase II, Kealahou, Island of Hawai'i
Kealanani Agricultural Condominium Property Regime, Kaua'i
Kahu'Aina Subdivision Phase I, Kaua'i

RESORT/RESIDENTIAL DEVELOPMENTS

Ko 'Olina Kai residential resort community, O'ahu
JW Marriott Ihilani Resort and Spa Meeting Center, Ko 'Olina Resort, O'ahu
Hilton Grand Vacations Club at Waikoloa King's Land, Island of Hawai'i
Kōlea Subdivision and Wastewater Pumping Station, Waikoloa Resort, Island of Hawai'i
Kohala Suites, Hilton Grand Vacations Club Waikoloa Resort, Island of Hawai'i
Moani Heights Subdivision, Uplands at Mauna Kea, Island of Hawai'i
'Āpa'apa'a Heights Subdivision, Uplands at Mauna Kea, Island of Hawai'i
The Kumulani, Uplands at Mauna Kea, Island of Hawai'i
Wai'ula'ula at Mauna Kea Resort, South Kohala, Island of Hawai'i
Kaanapali Beach Hotel Parking Structure, Maui



JOHN KIRKPATRICK, LEED AP

SENIOR PLANNER / SENIOR SOCIO-ECONOMIC ANALYST

Mr. Kirkpatrick has over 34 years of experience in planning, policy analysis, market research, and life cycle cost-benefit analysis and program evaluation. He has facilitated strategic planning and market studies, and developed detailed fiscal impact studies of resorts and other proposed developments. He has served as an expert witness before the Land Use Commission and County Councils, and made presentations to various private- and public sector Boards.

EDUCATION

Ph.D., Anthropology, University of Chicago
M.A., Anthropology, University of Chicago
B.A., Religion, Anthropology, Princeton

REGISTRATIONS

LEED Accredited Professional

AFFILIATIONS

Family Education Centers of Hawai'i, Inc., President
American Planning Association, Hawai'i Chapter, Member

SELECTED PROJECTS

POLICY STUDIES

Socio-economic Report: Projections for General Plan and Community Plan Updates within Maui County; follow-up studies of changing demographics, economy and land use, in support of Maui Island Plan

Socio-economic inputs and stakeholder outreach, Maui Island Transportation Impact Fee Program

Survey and real property analyses in study of the impact of transient vacation rentals, Maui County

General Plan Annual Report for County of Hawai'i: Design, draft, and produce first report

Socio-economic projections and analysis for Big Island Long-Term Transportation Model Update of 'Ewa Transportation Impact Fee Program, O'ahu

Proportionate Share Study of the 'Ewa Highway Impact Fee Program, O'ahu

Analysis of Impediments to Fair Housing Choice, County of Hawai'i

Central O'ahu Sustainable Communities Plan Update

Historical study of the cost of doing business in Hawai'i, analyzing the relative impact of increases in lease rents and other factors, prepared for the Commercial Assets Division of Kamehameha Schools, and included in Legislative Reference Bureau report.

Assessment of Reserve Housing Regulations in the Mauka District, Kaka'ako, for Hawai'i Community Development Authority, O'ahu

Resale trend analysis to answer questions of affordability in the housing market; Market Study in Response to Ordinance 01-33, City and County of Honolulu

CHAPTER 343 AND NEPA PROJECT MANAGEMENT

Kealahou Bay State Historical Park Master Plan and EIS

Kahului Commercial Harbor 2030 Master Plan Draft Environmental Impact Statement, Maui

Villages of Leiali'i EIS, Maui.

Kapolei II Elementary School Environmental Assessment, O'ahu

MARKET AND FEASIBILITY STUDIES

Life-cycle cost analysis for proposed new facilities at Marine Corps Base Hawai'i, Kāne'ohe Bay and Camp Smith, at Pearl Harbor Naval Shipyard, and at Yokose, Japan.

TIGER grant application Cost-Benefit Analyses for Hawai'i State Department of Transportation, Harbors Division and Highways Division

Waimea Canyon Sports Complex Feasibility Study, Waimea, Kaua'i

Market and Economic Impact of Keauhou Mauka development. Included testimony before Land Use Commission, for Bishop Holding Corporation.

Feasibility Study, Wailuku Municipal Parking Structure, for County of Maui Planning Department, Maui

Feasibility analysis, redevelopment of Vista Field, Kennewick, Washington

Assistance to HCDA in review of proposals for redevelopment, Kaka'ako, O'ahu

Market and socio-economic impact studies, Waipi'o Peninsula Soccer Park.

Market study of "Ball Field at Kapolei."

Market study of golf course acquisition, for a private client.

Feasibility study of investment in manufactured housing for Office of Hawaiian Affairs.

Market and feasibility studies for affordable housing projects: O'ahu and Maui

Feasibility Analysis of Landholdings, private client, Hawai'i

SOCIO-ECONOMIC IMPACT STUDIES

Socio-Economic Impact Study, Turtle Bay Resort, for EIS.

Socio-Economic Impact Study and Update, Grand Waikikian Tower, for EIS

Socio-Economic Impact Study, Maui Marriott Sequel Towers

Socio-economic impact assessment, Hanamā'ulu Plantation proposed development, Kaua'i

Socio-economic Impact Assessment, Statewide Large-Capacity Inter-Island Ferry System, for EIS

Socio-economic assessment, Keāhole Generating Plant Reclassification, Island of Hawai'i

Economic and Social Impact Studies, Ford Island Redevelopment EIS, O'ahu

Economic Impact of Pearl City Home Depot, O'ahu; testimony before City Council

Socio-economic impact assessment, Waimānalo Gulch Landfill Expansion,

Socio-economic Impact Assessment, Kawaihae Bypass Road, Island of Hawai'i

Statistical analyses of impacts of locally unwanted land uses on property values: used in successful actions before State Land Use Commission.

Economic Impact Assessment of Hawai'i's Harbors

Economic Impact Assessment, Saddle Road, Hawaii Island (for Supplemental EIS)

Economic and Social Impact, Base Closure, Barbers Point Naval Air Station, O'ahu

FACILITATION

Interviews and small group discussions, socio-economic impact studies throughout Hawai'i

Focus group facilitation (while with SMS Research) for private sector clients

Facilitation and analysis of meetings of public housing residents to assess and prioritize plans for capital improvements.

Community planning stakeholder discussions, West O'ahu (economics, public facilities) for Barbers Point Master Plan

Stakeholder outreach, West O'ahu, for transportation studies

Evaluator and Facilitator, Neighborhood Place of Kona



ELIZABETH SPLETH, MBA

SENIOR PLANNER

Ms. Spleth has over ten years of master planning experience with proficiency in project management, technical writing, analysis, and evaluation for demand projections and modeling, capital financing, economic analysis, market feasibility and facility planning. Her experience includes master plans, environmental and land use planning, noise studies, facility planning and development, military base planning, and site selection/evaluation studies.

EDUCATION

M.A.S., Technology Management (Project Management), University of Denver, Denver, CO

Relevant coursework included: Financial Analysis and Forecasting and Assessment

M.B.A. Entrepreneurship, University of Colorado

Relevant coursework included: Applied Economics for Managers; Data Analysis for Managers; Strategic Management; and Analyzing & Interpreting Accounting Information

B.S., Aviation Management, Oklahoma State University

Relevant coursework included: Introduction to Microeconomics, Aviation Finance, and Legal & Regulatory Environment of Business

SELECTED PROJECTS

PLANNING

Yampa Valley Regional Airport Master Plan (HDN), Hayden, Colorado: Developed the airport's 5-year Capital Improvement Plan (CIP) and 20-year National Plan Integrated Airport Systems (NPIAS) needs with incorporation of Colorado's Department of Transportation's (CDOT) 20-year CIP for the 20-year planning period; determined initial funding allocation for airport projects, including administration of the Passenger Facility Charge program, FAA discretionary and entitlement Airport Improvement Program (AIP) funding, CDOT discretionary aviation grants, local match, and private/third party funding.

Newport News/Williamsburg International Airport (PHF) Master Plan, Newport News, Virginia: Developed White Paper on the methodology and implementation programs for an airport sustainability program

Southwest Oregon Regional Airport (OTH) Master Plan, North Bend, Oregon: Collected environmental data and identified potential environmental impacts and mitigation of extending Runway 4 into Coos Bay, in order to satisfy requirements of the National Environmental Policy Act (NEPA), FAA Order 1050.1, and FAA Order 5050.4B

Newman Regional Health Heliport Study, Emporia, Kansas: Developed the site feasibility and alternatives analysis for a helipad site.

BELT COLLINS

SOCIO-ECONOMIC IMPACT ANALYSIS SERVICES



Waipio Soccer Park Socio-Economic Assessment and Participation in Market Planning, Hawai'i



Kahului Commercial Harbor 2030 Master Plan/EIS, Hawai'i



Central Oahu Sustainable Communities Plan, Hawai'i



Ford Island Redevelopment Programmatic EIS, Economic and Social Impact Studies, Hawai'i

Belt Collins brings decades of experience in economic analysis, social impact studies, and community studies to complement its land planning services. Socio-economic services can contribute to master planning, environmental impact statements, regional transportation and infrastructure studies, and policy studies. Belt Collins has provided these services for various market sectors which include hotels and resorts, residential communities, military bases, recreation sites, and industrial areas.

SERVICES OFFERED:

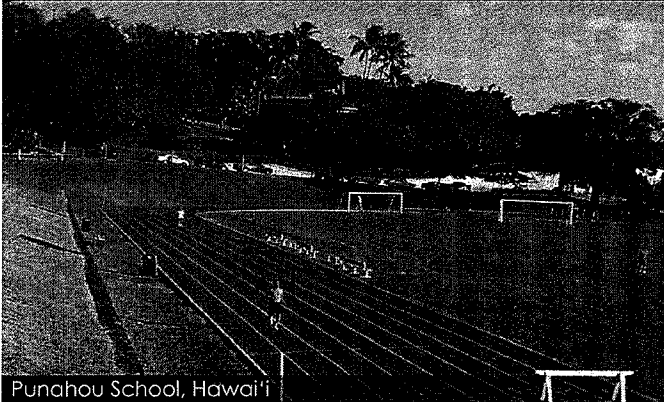
- Feasibility and market studies
- Community needs assessments
- Social impact assessments
- Economic and fiscal impact assessments
- Community benefits planning
- Socio-economic projections
- Housing impact assessments
- Socio-economic input and modeling for long-range transportation plans
- Cost-Benefit analyses
- Life Cycle Cost analyses

BELT COLLINS

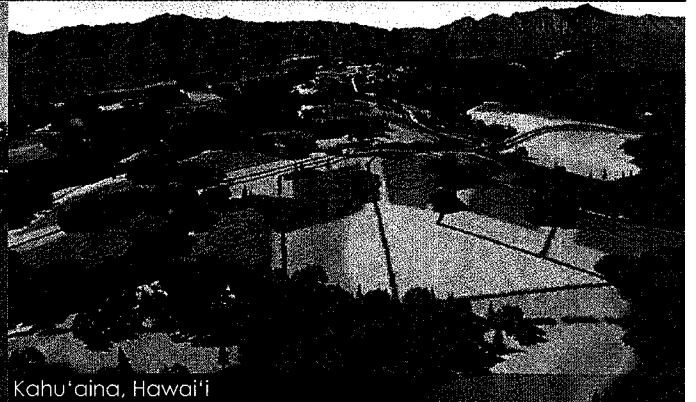
PHYSICAL AND ENVIRONMENTAL PLANNING



Golf Dunes, St. Petersburg, Russia



Punahou School, Hawai'i



Kahu'aina, Hawai'i

Belt Collins has extensive experience in providing physical and environmental planning services to private and public clients, often taking a project from the conceptual planning stage through plan approval, permitting, and environmental impact clearance, followed by detailed site planning and project implementation.

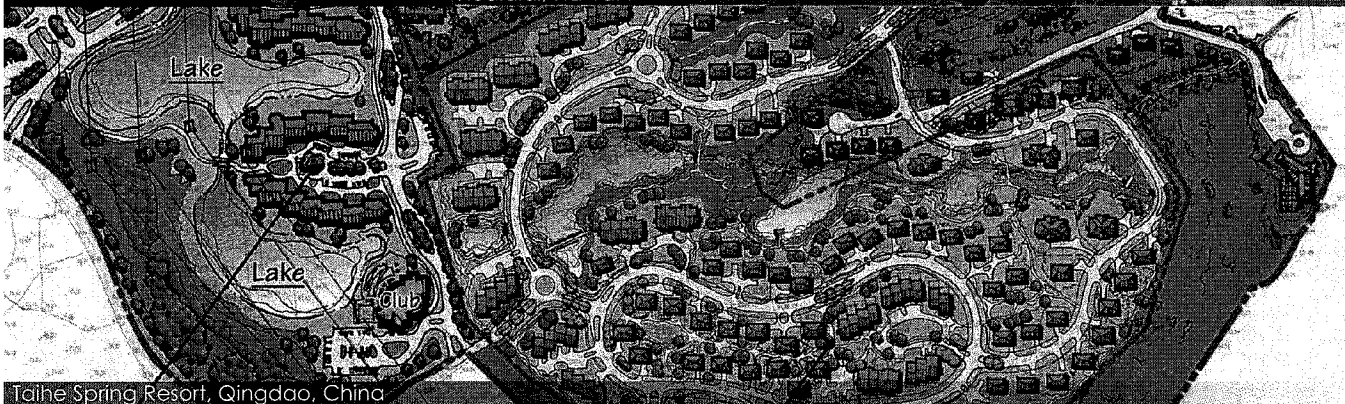
Recognizing the importance of planned growth and development, we emphasize a comprehensive approach to planning which identifies long-range goals and includes the physical, environmental, social, and economic elements necessary for the successful development of an area. Our work has included master development plans, urban and regional plans, land use and resort development studies, entitlement processing, site planning, Federal, State and County permit processing, and resource studies.

SERVICES OFFERED:

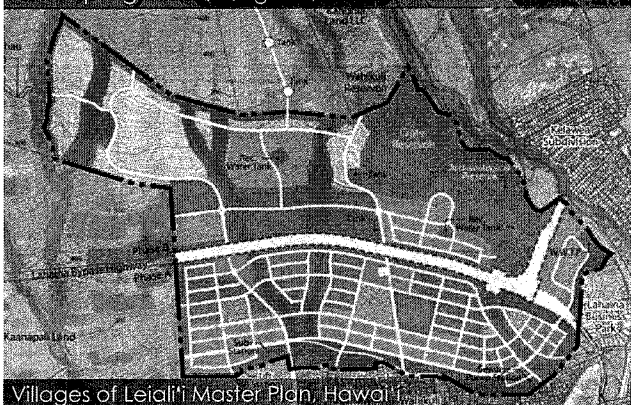
- Master plan
- Site plans
- Land use studies
- Regional and community plans
- Due diligence studies
- Entitlement processing
- Federal, State and County permit processing
- Subdivision plans
- Massing studies for buildings
- Urban space analysis
- Environmental Impact Statements (EIS) and Environmental Assessments (EA)
- Public meetings
- Report graphics



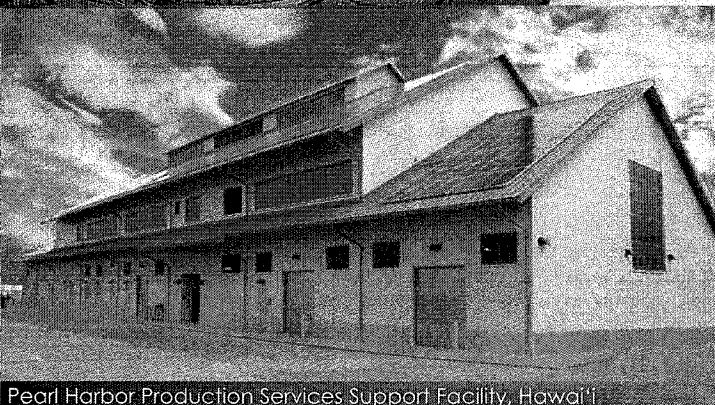
Hualālai, Hawai'i



Taihe Spring Resort, Qingdao, China



Villages of Leialī Master Plan, Hawai'i



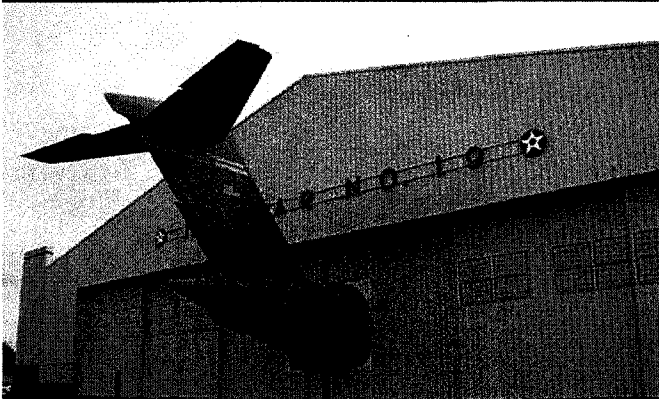
Pearl Harbor Production Services Support Facility, Hawai'i

BELT COLLINS

CIVIL ENGINEERING



Hilton Hawaiian Village, Hawai'i



Hickam C-17 Fuel Cell Nose Dock Hangar, Hawai'i



USS Arizona Memorial Pearl Harbor Visitor Center, Hawai'i



Punahou School, Hawai'i



Capitol Place Condominium, Hawai'i

Photo Credit: Vito Palmisano (USS Arizona)

Belt Collins's civil engineering department provides a full range of engineering services for both public and private clients throughout the world. Our experience includes a wide variety of projects in roadways, shore protection, utilities, drainage, water resources, solid waste, water and wastewater treatment systems. Site developments include residential/housing developments, resorts, golf courses, marinas, beaches, educational, civic and athletic facilities, commercial developments, airfields, dams, and hydropower systems. We often take a project from preliminary study, feasibility analysis, and site selection through conceptual planning, plan approval, permitting, and environmental impact clearance to detailed engineering and project implementation.

SERVICES OFFERED:

CIVIL (GENERAL ENGINEERING)

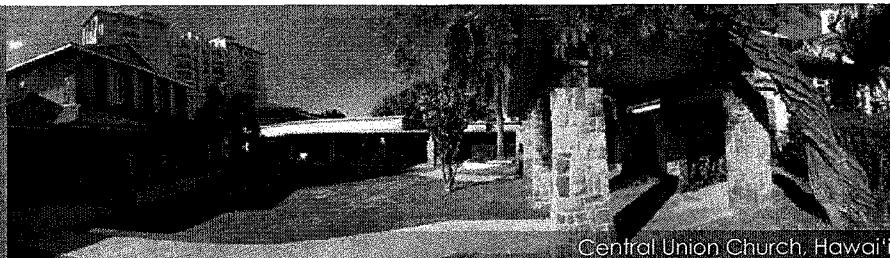
- > Feasibility studies
- > Infrastructure master plans
- > Site engineering for resort, commercial, military, residential and recreational developments
- > Roadway design for primary, secondary, urban collectors, subdivisions, etc.
- > Traffic & transportation studies
- > Drainage & flood control studies

SANITARY ENGINEERING

- > Wastewater facilities studies & master plans
- > Wastewater treatment plant siting & design
- > Wastewater pump station siting & design
- > Sewer collection, interceptors & transmission systems design
- > Wastewater effluent reuse studies & design
- > Sanitary landfill siting & design

WATER RESOURCE ENGINEERING

- > Hydrological studies
- > Groundwater resource exploration
- > Water Transmission/distribution systems planning & design
- > Coastal engineering



Central Union Church, Hawai'i



Hokua at 1288 Ala Moana Condominium, Hawai'i



Kepo'okalani Interpretive Center, Hawai'i



Ane Keohokale Highway, Hawai'i

Excerpts only



CONTRACT NO. 64044
STATE OF HAWAII

CONTRACT FOR GOODS OR SERVICES
BASED UPON
COMPETITIVE SEALED PROPOSALS

This Contract, executed on the respective dates indicated below, is effective as of August 13
2015, between the Office of the Auditor, State of Hawai'i ("STATE"), by its Acting State Auditor, Jan K. Yamane,
(hereafter also referred to as the HEAD OF THE PURCHASING AGENCY or designee ("HOPA")), whose address is
465 S. King Street, Room 500, Honolulu, Hawai'i, 96813, and Belt Collins Hawaii LLC
("CONTRACTOR"), a Limited Liability Partnership under the laws of
the State of Hawaii, whose business address and federal and state taxpayer identification numbers are
as follows: 2153 North King Street, Suite 200, Honolulu, HI 96819, Federal ID 99-0209354; State ID W20338946-01.

RECITALS

A. The STATE desires to retain and engage the CONTRACTOR to provide the goods or services, or both, described in this Contract and its attachments, and the CONTRACTOR is agreeable to providing said goods or services or both.

B. The STATE has issued a request for competitive sealed proposals, and has received and reviewed proposals submitted in response to the request.

C. The solicitation for proposals and the selection of the CONTRACTOR were made in accordance with section 103D-303, Hawai'i Revised Statutes ("HRS"), Hawai'i Administrative Rules, Title 3, Department of Accounting and General Services, Subtitle 11 ("HAR"), Chapter 122, Subchapter 6, and applicable procedures established by the appropriate Chief Procurement Officer ("CPO").

D. The CONTRACTOR has been identified as the responsible and responsive offeror whose proposal is the most advantageous for the STATE, taking into consideration price and the evaluation factors set forth in the request.

E. Pursuant to Act 174, SLH 2014 and Chapter 23 HRS, the STATE is authorized to enter into this Contract.

F. Money is available to fund this Contract pursuant to: (1) Act 134, Section 2.(2) SLH 2015
or (2)
or both, in the following amounts: State \$ 150,000.00
Federal \$ NA

NOW, THEREFORE, in consideration of the promises contained in this Contract, the STATE and the CONTRACTOR agree as follows:

1. **Scope of Services.** The CONTRACTOR shall, in a proper and satisfactory manner as determined by the STATE, provide all the goods or services, or both, set forth in the request for competitive sealed proposals number RFP-15-02 ("RFP") and the CONTRACTOR'S accepted proposal ("Proposal"), both of which, even if not physically attached to this Contract, are made a part of this Contract.

2. **Compensation.** The CONTRACTOR shall be compensated for goods supplied or services performed, or both, under this Contract in a total amount not to exceed ONE HUNDRED FIFTY THOUSAND
DOLLARS (\$ 150,000.00), including approved costs incurred and taxes, at the time and in the manner set forth in the RFP and CONTRACTOR'S Proposal.

3. **Time of Performance.** The services or goods required of the CONTRACTOR under this Contract shall be performed and completed in accordance with the Time of Performance set for in Attachment-S3, which is made a part of this Contract.

4. Bonds. The CONTRACTOR ☐ is required to provide or ☒ is not required to provide: ☒ a performance bond, ☒ a payment bond, ☒ a performance and payment bond in the amount of _____ DOLLARS (\$ _____).

5. Standards of Conduct Declaration. The Standards of Conduct Declaration of the CONTRACTOR is attached to and made a part of this Contract.

6. Other Terms and Conditions. The General Conditions and any Special Conditions are attached to and made a part of this Contract. In the event of a conflict between the General Conditions and the Special Conditions, the Special Conditions shall control. In the event of a conflict among the documents, the order of precedence shall be as follows: (1) this Contract, including all attachments and addenda; (2) the RFP, including all attachments and addenda; and (3) the Proposal.

7. Liquidated Damages. Liquidated damages shall be assessed in the amount of NA _____ DOLLARS (\$ NA _____) per day, in accordance with the terms of paragraph 9 of the General Conditions.

8. Notices. Any written notice required to be given by a party to this Contract shall be (a) delivered personally, or (b) send by United States first class mail, postage prepaid. Notice to the STATE shall be sent to the HOPA's address indicated in this Contract. Notice to the CONTRACTOR shall be sent to the CONTRACTOR'S address indicated in this Contract. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The CONTRACTOR is responsible for notifying the STATE in writing of any change of address.

IN VIEW OF THE ABOVE, the parties execute this Contract by their signatures, on the dates below, to be effective as of the date first above written.

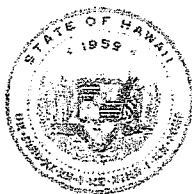
STATE

Jan K. Yamane
(Signature)
Jan K. Yamane
(Print Name)
Acting State Auditor
(Print Title)
August 13, 2015
(Date)

CONTRACTOR

Belt Collins Hawaii LLC
(Name of Contractor)
Cheryl M. Palesh
(Signature)
CHERYL M. PALESH
(Print Name)
VICE PRESIDENT
(Print Title)
8/13/15
(Date)

*Evidence of authority of the CONTRACTOR'S representative to sign this Contract for the CONTRACTOR must be attached.



STATE OF HAWAII

SCOPE OF SERVICES

The scope of work contained in Section Two of RFP-15-02 is intended to describe the scope and nature of the work requested of Belt Collins Hawai'i LLC (hereinafter referred to as the "CONTRACTOR"), who is engaged by the Office of the Auditor, State of Hawai'i (hereinafter referred to as the "STATE"), to provide professional services for the State-County Functions Working Group.

Subsection 2.2.3 sub-paragraph e., and subsection 2.2.5, of Section Two of RFP-15-02 are amended as follows:

2.2.3 Scope of services. The services may include:

....

- e. Attending and presenting progress reports, analyses, and information to the WG at its monthly meetings on the first Wednesday of each month, and other WG meetings held weekly or bi-monthly as needed.

2.2.5 Time Limitations.

The timetable set forth below shall be followed to the closest extent possible. This timetable, however, may be modified based on justifiable reasons submitted in writing by the Contractor; such modifications cannot jeopardize the successful completion of the engagement and must be approved by the WG chair and Auditor.

Submittal date for initial and monthly progress reports and status updates, including analyses, and other work.....	September 2, 2015
.....	September 30, 2015
.....	October 28, 2015
.....	November 25, 2015
.....	Final December 30, 2015

Submittal date for preliminary allocation models to be presented to the WG for discussion.....	September 16, 2015
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Submittal date for allocation models developed to be approved by the WG at the October 7, 2015 meeting.....	September 30, 2015
--	--------------------

Submittal date for preliminary findings and recommendations to be presented to the WG for discussion	October 7, 2015
---	-----------------

Submittal date for proposed outline and preliminary report draft to be presented to the WG for approval at the November 4, 2015 meeting	October 21, 2015
--	------------------

Submittal date for final report draft, including WG conclusions and recommendations to be approved by the WG at the November 4, 2015 meeting.....	October 28, 2015
--	------------------

Submittal date for final draft report with revisions approved by the WG at the November 4, 2015 meeting.....	November 11, 2015
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Submittal date for draft briefing slides and testimony.....	December 30, 2015
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OFFICE OF THE AUDITOR

RELEASE DATE: June 3, 2015

REQUEST FOR PROPOSALS No. RFP-15-02

SEALED OFFERS FOR PROFESSIONAL SERVICES FOR THE STATE-COUNTY FUNCTIONS WORKING GROUP

STATE OF HAWAII OFFICE OF THE AUDITOR

WILL BE RECEIVED UP TO 4:30 P.M. (HST) ON
June 17, 2015

IN THE OFFICE OF THE AUDITOR, STATE OF HAWAII, KEOHANAŌ'A BUILDING, ROOM
500, 465 SOUTH KING STREET, HONOLULU, HAWAII 96813. DIRECT QUESTIONS
RELATING TO THIS SOLICITATION TO ADMINISTRATIVE DEPUTY AUDITOR RON SHIIGI
TELEPHONE (808) 587-0800 FACSIMILE (808) 587-0830 OR E-MAIL AT
auditors2@auditor.state.hi.us.


Ron Shiigi
Procurement Officer

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SECTION TWO: BACKGROUND AND SCOPE OF WORK.....	5
SECTION THREE: PROPOSAL FORMAT AND CONTENT	10
SECTION FOUR: EVALUATION CRITERIA.....	15
SECTION FIVE: CONTRACTOR SELECTION AND CONTRACT AWARD	17
SECTION SIX: SPECIAL PROVISIONS	25
SECTION SEVEN: ATTACHMENTS AND EXHIBITS	27
<ul style="list-style-type: none"> • Attachment 1: Act 174, Session Laws of Hawai'i 2014 <ul style="list-style-type: none"> ○ Attachment 1A: Interim Report of the State-County Functions Working Group, dated December 18, 2014 ○ Attachment 1B: Minutes of Meetings dated February 4, 2015, March 4, 2015, and April 1, 2015 ○ Attachment 1C: 1988 Tax Review Commission Report pgs. 51-57 excerpts on county revenues and policy options • Attachment 2: OFFER FORM, OF-1 • Attachment 3: OFFER FORM, OF-2 • Exhibit A: OVERVIEW OF THE RFP PROCESS • Exhibit B: GENERAL PROVISIONS • Exhibit C: GENERAL CONDITIONS • Exhibit D: CONTRACT FOR PROFESSIONAL SERVICES 	

SECTION ONE

INTRODUCTION, TERMS AND ACRONYMS, KEY DATES**1.1 INTRODUCTION**

The Office of the Auditor is requesting proposals for the State-County Functions Working Group (WG) authorized by Act 174, Session Laws of Hawai'i 2014 (Attachment 1), to employ the professional services of a qualified individual or firm to aid the WG in carrying out its roles and responsibilities and preparing the final report, including findings and recommendations, to the Legislature, Governor, and each county mayor and council, no later than 20 days prior to the convening of the Regular Session of 2016. An award will result in a contract for these services with the Office of the Auditor.

1.2 CANCELLATION

The Request for Proposals (RFP) may be cancelled and any or all proposals rejected in whole or in part, without liability to the State, when it is determined to be in the best interest of the State.

1.3 TERMS AND ACRONYMS USED THROUGHOUT THE SOLICITATION

Auditor	=	Office of the Auditor, State of Hawai'i
BAFO	=	Best and Final Offer
CPO	=	Chief Procurement Officer
DAGS	=	Department of Accounting and General Services
GC	=	General Conditions, issued by the Department of the Attorney General
GET	=	General Excise Tax
GP	=	General Provisions
Procurement Officer	=	Contracting Officer for the Office of the Auditor
State	=	State of Hawai'i, including its departments, agencies, and political subdivisions
SPO	=	State Procurement Office
TAT	=	Transient Accommodations Tax
WG	=	State-County Functions Working Group

1.4 RFP SCHEDULE AND SIGNIFICANT DATES

The schedule represents the State Auditor's best estimate of the schedule that will be followed. All times indicated are Hawai'i Standard Time (HST). If a component of this schedule, such as "Proposal Due date/time" is delayed, the rest of the schedule will likely be shifted by the same number of days. Any change to the RFP schedule and Significant Dates shall be reflected in and issued in an addendum. The approximate schedule is as follows:

Release of Request for Proposals	June 3, 2015
Due date to Submit Questions	n/a
State's Response to Questions	n/a
Proposals Due date/time	June 17, 2015 4:30 pm
Proposal Evaluations	June 18, 2015
Discussion with Priority Listed Offerors (if necessary)	n/a
Best and Final Offer (if necessary)	n/a
Notice of Award	July 1, 2015
Approximate Start Date	July 15, 2015

SECTION TWO

BACKGROUND AND SCOPE OF WORK

2.1 PROJECT OVERVIEW AND HISTORY

The State-County Functions Working Group (WG), established and administratively placed in the Office of the Auditor, State of Hawai'i (State or Auditor), pursuant to Section 2 of Act 174, SLH 2014, is requested to:

- 1) Evaluate the division of duties and responsibilities between state government and counties (City and County of Honolulu, and Counties of Hawai'i, Kaua'i, and Maui) relating to the provision of public services; and
- 2) Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax (TAT) revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

The Auditor is requested to initiate organization of and provide staff support for the WG.

2.2 SCOPE OF WORK

All services for the WG shall be in accordance with this RFP, including its attachments and any addenda.

2.2.1 Contractor Defined, Qualifications. The Contractor is defined as a licensed certified public accountant, or an economist, or other consultant with training and experience performing research and data analysis relating to the subject matter areas of Act 174, SLH 2014.

2.2.2 Objectives. The objectives of the services are to:

- a. Assist the WG in developing models (options) on the appropriate allocation of the TAT revenues based on the WG's evaluation of duties and responsibilities between state government and counties relating to:
 - i. the provision of public services; and
 - ii. the provision of public services relating to tourism, including consideration of factors such as the percentage of tourism revenues and expenditures for each county.
- b. Assist the WG in providing research, analysis, and report writing, and following timetable for deliverables in Section 2.2.5 Time Limitations.

2.2.3 Scope of services. The services may include:

- a. Gaining an understanding of Hawai'i's TAT law, including Act 174 (SLH 2014), the Working Group Interim Report, dated December 18, 2014

(Attachment 1A), the WG minutes of meetings dated February 4, 2015, March 4, 2015, and April 1, 2015 (Attachment 1B), and, excerpts on county revenues and policy options from the 1988 Tax Review Commission Report, pages 51-57 (Attachment 1C), in Handouts from the April 1, 2015 meeting, available at:

<http://auditor.hawaii.gov/task-force-working-group/>.

- b. Working closely with the Auditor and WG, performing research and analysis and development of models—methodologies, formulas, and calculations; criteria; frameworks; benchmarks; and assessment of tools, as needed—to complete the final report.
- c. Developing a report on models (options) in coordination with the Auditor and WG the appropriate allocation of the TAT revenues between the state government and counties that properly reflects the division of duties and responsibilities relating to: 1) the provision of public services and 2) the provision of such services as related to tourism; and articulating the conclusions and recommendations approved by the WG in the final report to be submitted no later than 20 days before the convening of the 2016 Regular Session. Allocation models (options) may include, but are not limited to, deriving ratios based on:
 - i. Total State government and counties' expenditures for provision of public services;
 - ii. Population, including comparisons based on:
 - 1. Total State and county de-facto population;
 - 2. Total State and county resident population; and
 - 3. Total State and county visitor population;
 - iii. Total State and county tourism expenditures;
 - iv. Total State and county visitor arrivals and visitor days; and
 - v. Historical intent and evolution of TAT and current needs of the visitor industry.
- d. Using a variety of sources from State, county, and visitor information and data, including but not limited to:
 - 1) *Black's Law Dictionary* and About State Government (Department of Budget and Finance) for possible definitions of "public service;"
 - 2) State of Hawai'i's and counties' Comprehensive Annual Financial Reports (CAFRs), the Hawai'i State Constitution, Hawai'i Revised Statutes, county charters, and the *Guide to Government* in Hawai'i (Legislative Reference Bureau) to determine the division of services provided by state government and counties; and
 - 3) State of Hawai'i Data Books and Population Estimate Series (Department of Business, Economic Development and Tourism), Department of

Taxation Annual Reports, Hawai'i Tourism Authority reports, State of Hawai'i and Counties of Hawai'i, Kaua'i, and Maui budget documents, relevant hotel and industry reports and information to determine population, Hawai'i visitor statistics, lodging statistics, including per room revenue, the impact of non-traditional accommodations, the State's and counties' gross income, tourism expenditure and revenue categories, including tourism-related expenditures and revenue categories, among others.

- e. Attending and presenting progress reports, analyses, and information to the WG at its monthly meetings on the first Wednesday of each month during 2015 and 2016 through adjournment sine die of the 2016 Regular Session, as needed.
- f. Assisting the WG in preparing testimony, briefing slides (approximately 20 slides) and presentations (approximately 15-20 minutes), and being available to present such items and confer with legislative committees as a resource to explain the various models (options) developed by the Contractor and considered by the WG when concluding and recommending the appropriate allocation of TAT revenues between the state government and counties, in 2016 through adjournment sine die of the 2016 Regular Session of the Legislature, which schedule may be amended from time to time, as needed.

2.2.4 Report. The report shall be preceded by an outline and a preliminary draft, both approved by the WG chair prior to the writing of the final draft of the report as set forth in 2.2.5, with editorial services to be provided by the Office of the Auditor.

2.2.5 Time Limitations

The timetable set forth below shall be followed to the closest extent possible. This timetable, however, may be modified based on justifiable reasons submitted in writing by the Contractor; such modifications cannot jeopardize the successful completion of the engagement and must be approved by the WG chair and Auditor.

Submittal date for initial and monthly progress reports and status updates, including analyses, and other work.....	July 29, 2015
.....	Aug. 26, 2015
.....	Sept. 30, 2015
.....	Oct. 28, 2015
.....	Nov. 25, 2015
.....	Final Dec. 30, 2015
Submittal date for preliminary allocation models	July 29, 2015
Presentation to the WG for discussion on.....	Aug. 5, 2015
Submittal date for allocation models developed	Aug. 26, 2015
To be approved by the WG on	Sept. 2, 2015
.....	
Submittal date for preliminary findings and recommendations	Aug. 26, 2015

Presentation to the WG for discussion on.....	Sept. 2, 2015
Submittal date for proposed outline and preliminary report draft	Sept. 30, 2015
Presentation to the WG for approval on	Oct. 7, 2015
Submittal date for final report draft, including WG conclusions and recommendations	Oct. 28, 2015
To be approved by the WG on	Nov. 4, 2015
Submittal date for final draft report with revisions approved by the WG at the Nov. 4, 2015 meeting.....	Nov. 11, 2015
Submittal date for draft briefing slides and testimony.....	Dec. 30, 2015

2.2.6 Engagement Activities

- a. Progress reports. Contractor shall submit monthly progress reports to the WG. The progress reports shall indicate whether the project is on schedule, and identify outstanding issues and problems.
- b. Outline and introductory chapter of the report. Prior to the preparation of the preliminary draft of the report, the Contractor shall prepare an outline and draft of the introductory chapter of the report and submit it to and discuss the same with the WG Chair and Auditor. The outline should include the major points of the preliminary findings and recommendations.
- c. Preliminary and final draft of the report. Contractor shall prepare a preliminary draft of the report based on the outline approved by the WG Chair and in such number of copies as requested by the Auditor and submit it to discuss the same with the WG Chair and Auditor by the dates set forth above.

The draft and the final report shall be prepared using Microsoft Word (Windows format) for IBM compatible computers, and an electronic version of the draft and final reports shall be submitted along with a printed copy of the report.

Contractor shall perform additional work, as required, to clarify statements made in the preliminary draft of the report. Contractor shall be considered to have completed the final draft of the report only upon the review and acceptance of the WG.

- d. Consultation on report findings and recommendations. Upon approval by the WG of the final draft, Contractor shall submit draft briefing slides and testimony for approval by the WG according to the timetable set forth in Section 2.2.5 Time Limitations, and be available to attend legislative hearings, as may be necessary, to testify on or to discuss the data and analyses contained in the final report, through adjournment sine die of the 2016 Regular Session of the Legislature.

- e. Preliminary Draft of Report. Reports shall be written in plain language for the public, in accordance with Article XVI, Section 13, of the Hawai'i State Constitution, which states that insofar as practicable, all governmental writing meant for the public shall be plainly worded, avoiding the use of technical terms.

2.3 State-County Functions Working Group Responsibilities

2.3.1 Working Group Defined. The WG consists of 13 members, appointed as follows: four members, each of whom shall be appointed by a different county mayor; four members appointed by the Governor of the State of Hawai'i; two members appointed by the President of the Senate; two members appointed by the Speaker of the House of Representatives; and one member appointed by the Chief Justice of the State of Hawai'i, who shall serve as the WG chair. The members appointed by the President of the Senate, the Speaker of the House of Representatives, and the Chief Justice shall not be currently employed by the State or any county.

2.3.2 The WG will work collaboratively with the Contractor to obtain any available data, which the Contractor deems necessary to perform the work set forth in Section 2.3 Scope of Work.

2.4 TERM OF THE CONTRACT

The contract shall be for a period of approximately ten (10) months and is intended to begin approximately on July 15, 2015 and end on or about May 29, 2016.

When interests of the WG or the Contractor so require, the WG or the Contractor may terminate the contract for convenience by providing six (6) weeks prior written notice to the other party.

2.5 CONTRACT ADMINISTRATOR

For the purposes of this contract Jan K. Yamane, Acting State Auditor, (808) 587-0800, is designated the Contract Administrator.

August 2015

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3	4	5 SCFWG MEETING	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21 HOLIDAY ADMISSION'S DAY	22
23	24	25 FILE AGENDA	26	27	28 DISTRIBUTE HANDOUTS (Incl'g Ch 1 DRAFT)	29
30	31					

September 2015

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2 SCFWG MEETING Discuss Ch. 1 draft	3	4	5
6	7 HOLIDAY LABOR DAY	8 FILE AGENDA	9	10	11 DISTRIBUTE HANDOUTS	12
13	14	15	16 SCFWG MEETING Consultant prelim. allocation models	17	18	19
20	21	22	23	24	25	26
27	28	29 FILE AGENDA	30 • Consultant progress report & status update • Consultant submits allocation models			

October 2015

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				1	2 DISTRIBUTE HANDOUTS (Incl'g Ch 2, Obj 1 DRAFT)	3
4	5	6	7 SCFWG MEETING • WG approves allocation models • Discuss Ch 2, Obj 1 Draft • Consultant submits prelim. findings/recomm.	8	9	10
11	12	13 FILE AGENDA	14	15	16 DISTRIBUTE HANDOUTS	17
18	19	20	21 SCFWG MEETING Consultant submits outline & draft report	22	23	24
25	26	27 FILE AGENDA	28 • Consultant progress rpt, status update • Consultant submits final rpt, concl & recommendations	29	30 DISTRIBUTE HANDOUTS	31

November 2015

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4 SCFWG MEETING WG approves outline, draft report	5	6	7
8	9	10	11 HOLIDAY VETERAN'S DAY	12 • Draft shared with LRB • Begin report production	13	14
15	16	17	18	19	20	21
22	23	24 FILE AGENDA	25 Consultant progress report, status update	26 HOLIDAY THANKSGIVING	27 DISTRIBUTE HANDOUTS	28
29	30					

December 2015

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2 SCFWG MEETING	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25 HOLIDAY CHRISTMAS	26
27	28	29 FILE AGENDA	30 FINAL REPORT DUE <ul style="list-style-type: none"> Consultant submits slides, testimony Consultant progress report, status update 	31 DISTRIBUTE HANDOUTS		

January 2016

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
					1 HOLIDAY NEW YEAR'S DAY	2
3	4	5	6 SCFWG MEETING	7	8	9
10	11	12	13	14	15	16
17	18	19	20 OPENING DAY 2016 LEG. SESSION	21	22	23
24	25	26	27	28	29	30
31						

Chapter 1

Introduction

Hawai‘i’s transient accommodations tax (TAT) was enacted in 1986 as strictly a tax upon room revenues derived from transient accommodations and imposed upon every operator of such accommodations.¹

Since that time, the Legislature has adjusted the TAT by both raising the TAT rate and changing the distribution rate. Finally, before the Legislature would consider permanently establishing the TAT revenue allocations between the State and counties, it established the State-County Functions Working Group and directed it to:

1. Conduct a study to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services and
2. Submit a recommendation to the Legislature on the appropriate allocation of the TAT revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services. This final report of the State-County Functions Working Group addresses both objectives.²

This final report of the Working Group addresses these objectives and includes draft legislation in a form suitable for introduction during the 2016 Regular Session.

¹ Act 340 (Session Laws of Hawai‘i 1986).

² Act 174 (SLH 2014).

State-County Functions Working Group composition, responsibilities, and meetings

The Working Group is comprised of 13 members and administratively placed within the Office of the Auditor. As directed by Act 174, Session Laws of Hawai‘i (SLH) 2014, the members of the Working Group were appointed by the governor, chief justice of the State of Hawai‘i, the president of the Senate, the speaker of the House of Representatives, and each of the county mayors. Members appointed by the chief justice, president, and speaker could not be state or county employees. Working Group members are listed below, along with their affiliation and appointing authorities:

Working Group Member	Appointing Authority
Simeon Acoba, Chair	Chief Justice
Associate Justice (retired)	
Sananda Baz	Mayor, County of Maui
Budget Director	
Edward E. Case	House Speaker
Senior Vice President and Chief Legal Officer	
Outrigger Enterprises Group	
Mary Alice Evans	Governor
Deputy Director	
Department of Business, Economic	

Development & Tourism

Steven Hunt

Mayor, County of Kauaʻi

Tax Manager

George Kam

Senate President

Quiksilver

Neal Miyahira

Governor

Administrator

Budget Program Planning and Management Division

Department of Budget and Finance

Deanna Sako

Mayor, County of Hawaiʻi

Finance Director

Ray Soon

Mayor, City and County of

Chief of Staff

Honolulu

Jesse Souki

Governor

Deputy to the Chair

(until December 2014)

Board of Land and Natural Resources

Of Counsel

(from January 2015)

Imanaka Asato

George D. Szigeti

House Speaker

President and CEO	(served October 2014 to June
Hawai'i Lodging & Tourism Association	2015)

Ronald K. Williams	Senate President
President and CEO	
Atlantis Adventures, LLC	

Tina Yamaki	House Speaker
Executive Director	(Appointed June 2015)
Surfrider Spirit Sessions	

Kerry Yoneshige	Governor
Business Management Officer	
Department of Accounting and General	
Services	

Working Group meetings were held once or twice monthly from October 2014 through December 2015 and were subject to the State's sunshine law, Chapter 92, Hawai'i Revised Statutes. Agendas and minutes, as well as meeting materials, information, and resources, are posted to the Office of the Auditor's website at <http://auditor.hawaii.gov/task-forceworking-group/>. The Office of the Auditor provided staff support for the Working Group.

Background on Hawai'i's Transient Accommodations Tax

The TAT took effect on January 1, 1987, and levied a 5 percent tax on the *gross income* or *gross proceeds* derived from furnishing transient accommodations. The Legislature sought to tax the tourism industry for

the benefit of the state, while at the same time minimizing the impact of the tax on the industry by excluding general excise taxes collected from calculation of gross income or gross proceeds.

Transient accommodations tax rate

The TAT rate has increased over time. In 1993, the Legislature changed the TAT rate from 5 percent to 6 percent beginning July 1, 1994. Five years later, in 1998, the rate was increased to 7.25 percent beginning January 1, 1999. The act also assessed on occupants of resort time share vacation units a 7.25 percent tax on the fair market rental value of those units.³

Finally, Act 61 (SLH 2009) increased the rate from 7.25 percent to 8.25 percent for the period beginning July 1, 2009 to June 30, 2010; and to 9.25 percent for the period July 1, 2010 to June 30, 2015. The rate had been scheduled to revert to 7.25 percent on July 1, 2015,⁴ but Act 161 (SLH 2013) made permanent the 9.25 percent rate which had been in effect since July 1, 2010. The effective dates and changes in TAT rates are shown in Exhibit 1.

Exhibit 1

TAT Rate Changes and Effective Dates, Inception – Current

<u>Effective Date</u>	<u>Rate</u>
January 1987	5 %
July 1994	6 %
January 1999	7.25 %

³ Act 93 (SLH 2015) amends the definition of fair market rental value and increases the transient accommodations tax imposed on resort time share vacation units by 1 percent each year to gradually achieve a rate of 9.25 percent of the fair market rental value.

⁴ Act 161 (SLH 2013).

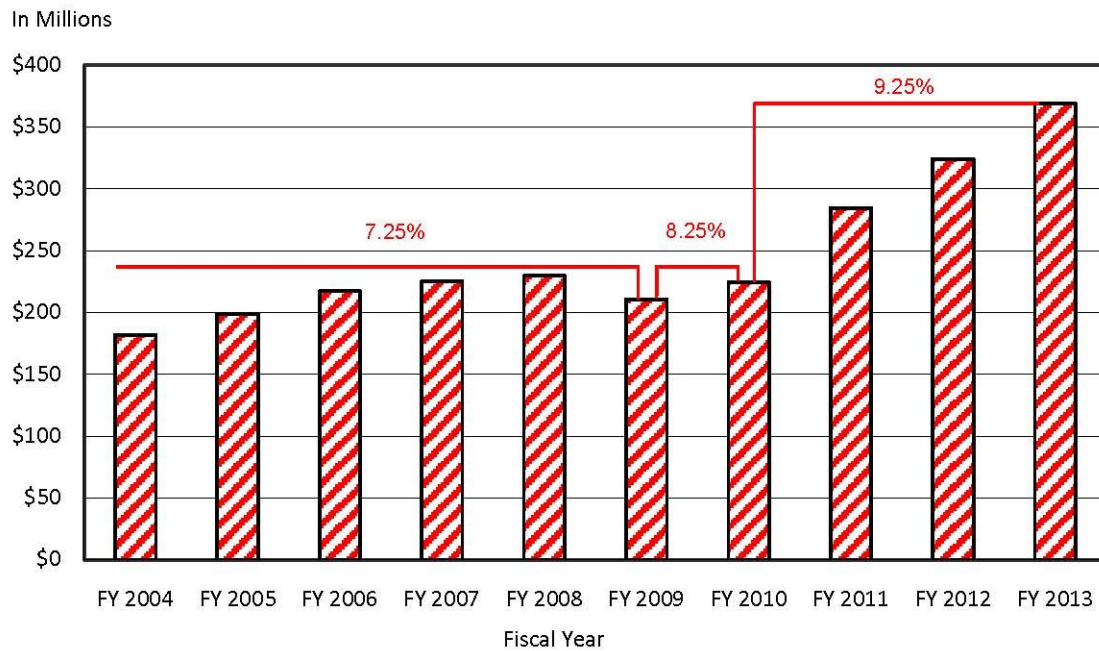
July 2009	8.25 %
July 2010	9.25 %

Source: Office of the Auditor

Exhibit 2 shows TAT collections and rates for FY2004–FY2013.

Exhibit 2

TAT Collections and Rates, FY2004–FY2013



Source: Hawai'i Department of Taxation, Annual Report 2012-2013 and Office of the Auditor

Transient accommodations tax distribution

Although the TAT took effect in 1987, it was not until 1990 that a portion of the TAT collected was distributed to the counties. Thereafter, the distribution rate changed more than a dozen times over the next two decades.

Act 185 (SLH 1990) began distributing TAT funds to the State and various counties as follows:

- 5 percent of the revenues collected were retained by the State for TAT-related administrative purposes;
- Of the remaining 95 percent of TAT collected:
 - 14.5 percent was to be distributed to Kauaʻi County;
 - 18.6 percent was to be distributed to Hawaiʻi County;
 - 22.8 percent was to be distributed to Maui County; and
 - 44.1 percent was to be distributed to the City and County of Honolulu.

In 1993,⁵ the distribution was changed beginning July 1994, by increasing the State's portion for deposits to the Convention Center Capital and Operations Special Fund.⁶ Distribution to the counties remained the same as in 1990; thus:

- 5 percent of the revenues collected was retained by the State for TAT-related administrative purposes;

⁵ Act 7 (Special Session Laws of Hawaiʻi 1993).

⁶ The Legislature later changed the Convention Center Capital and Operations Special Fund to the Convention Center Capital Special Fund through Act 124 (SLH 1997).

- One-sixth (1/6) of the revenues collected was deposited into the Convention Center Capital and Operations Special Fund; and
- The remaining TAT collected was distributed to the counties in the same proportional share as in prior years.

The 1998 Legislature amended the TAT by assessing and collecting taxes on resort time share vacation units.⁷ Additionally, the measure increased distribution to the Convention Center Capital Special Fund, included distribution to the Tourism Special Fund, and divided the remaining TAT collected among the counties so that:

- 17.3 percent of the revenues collected was deposited into the Convention Center Capital Special Fund;
- 37.9 percent was deposited into the Tourism Special Fund; and
- 44.8 percent was distributed to the counties in the same proportional share as in prior years.

In 2002,⁸ the Legislature for the first time limited TAT distributions to the Tourism Special Fund (capped at almost \$62.3 million, and lowered the percentage deposited to the fund from 37.9 percent to 32.6 percent, effective July 2002), and to the Convention Center Enterprise Special Fund (capped at \$31 million, with any excess revenues deposited into the general fund, effective January 2002).⁹ If the deposit to the tourism fund exceeded its cap, then of the remaining overage, \$1 million would be deposited in

⁷ Act 156 (SLH 1998).

⁸ Act 250 (SLH 2002).

⁹ Act 253 (SLH 2002).

the following proportional shares—90 percent to the State Parks Special Fund and 10 percent to the Statewide Trail and Access Program—but not more than \$1 million in any fiscal year. Finally, the Legislature deposited 5.3 percent into the newly established Transient Accommodations Tax Trust Fund.¹⁰

Over the next few years—2005 to 2008—the Legislature continued adjusting TAT revenue distribution by removing caps,¹¹ increasing and changing distribution,¹² and establishing and funding new funds.¹³

In 2009, the Legislature began exploring different avenues for increasing revenues to replace record shortfalls in the State budget, due to what was later called the Great Recession. Initially vetoed by the governor, the TAT bill¹⁴ veto was overridden by the Legislature and later enacted as Act 61 (SLH 2009); it increased the TAT and required that the additional revenues collected be deposited to the general fund. Thus, the 2009 TAT rate of 7.25 percent was increased to 8.25 percent from July 2009 to June 2010; and to 9.25 percent from July 2010 to June 2015.

In 2011, the Legislature continued to address budget shortfalls by increasing state revenues from the TAT. To accomplish this, the Legislature passed a measure that limited TAT revenues deposited into the Tourism Special Fund to no more than \$69 million, and capped TAT revenues to the counties at \$93 million.¹⁵ In its Conference Committee Report,¹⁶ the Legislature stated that the measure was

¹⁰ The Legislature later repealed the Transient Accommodations Tax Trust Fund through Act 235 (SLH 2005).

¹¹ Act 235 (SLH 2005) removed the cap and increased the allocation of TAT revenues to the Tourism Special Fund; repealed the Transient Accommodations Tax Trust Fund; revised the allocation of TAT revenue for the State Parks Special Fund and the Special Land Development Fund; and directed excess revenues to be deposited into the general fund.

¹² Act 209 (SLH 2006) increased the ceiling of TAT revenues deposited into the Convention Center Enterprise Special Fund and directed excess revenues to be deposited into the general fund.

¹³ Act 201 (SLH 2007) established and funded the Tourism Emergency Trust Fund.

¹⁴ Senate Bill No. 1111, Senate Draft 1, House Draft 1, Conference Draft 1, 2009 Regular Session.

¹⁵ Act 103 (SLH 2011).

¹⁶ Conference Committee Report No. 139 on Senate Bill 1186, Senate Draft 2, House Draft 1, Conference Draft 1, dated April 29, 2011.

intended to temporarily increase and preserve the amount of state revenues derived from the TAT, calling it a necessary component of the package of legislation aimed at addressing the State's extended economic crisis.

By 2012, the State's focus returned to growing travel and tourism. Leveraging an executive order by President Obama in January 2012 that announced new initiatives to significantly increase travel and tourism in the United States, the Legislature sought to grow TAT deposits in the Tourism Special Fund to \$71 million (from \$69 million) to take advantage of the easing of access to Hawai'i for international visitors.¹⁷

In 2013, the Legislature made permanent the 9.25 percent TAT rate and the caps on TAT distribution to the Tourism Special Fund and the counties.¹⁸ Versions of the measure—for example, Senate Bill 1194, Senate Draft 2, proposed House Draft 1—were hotly debated among stakeholders in legislative committees.

The State director of finance testified that reducing the 9.25 percent TAT charge to 7.25 percent would repeal an important revenue source for fiscal years 2014 and 2015. Hawai'i Lodging and Tourism Association and Hawai'i Tourism Authority representatives advocated a reduction of the TAT to 7.25 percent as a means of keeping Hawai'i's visitor industry competitive and maintaining the positive momentum of the industry and long-term positioning of the Hawaiian Islands in the world-wide market. The counties—the City and County of Honolulu and the counties of Hawai'i, Maui, and Kaua'i—espoused the need for the TAT to support services for residents and visitors alike, including ocean safety, park maintenance, police protection, fire protection, bus services, and infrastructure repair and

¹⁷ Act 171 (SLH 2012).

¹⁸ Act 161 (SLH 2013).

maintenance. For some counties, TAT distributions are the second largest source of county revenue, making it important that the distributions increase as visitor counts increase.

The Legislature ultimately decided that allowing the TAT rate to revert to 7.25 percent would deprive the general fund of needed tax revenues. Retention of the 9.25 percent tax rate was seen as key to ensuring that the State's general fund remains balanced beyond the fiscal biennium 2013–2015.¹⁹ The 9.25 percent cap was made permanent, and the distribution of revenue was set as follows:

- \$33 million is allocated to the Convention Center Enterprise Special Fund (rather than 17.3 percent);
- \$82 million is allocated to the Tourism Special Fund (rather than 34.2 percent),
\$1 million of which is allocated to operate a Hawaiian center and the Museum of Hawaiian Music and Dance at the Hawai'i Convention Center;
- The \$1 million allocation to the State Parks Special Fund and Special Land Development Fund is repealed;
- \$93 million is allocated to the counties (rather than 44.8 percent) and the \$93 million cap is repealed; and
- \$3 million of the excess TAT revenues is deposited into the general fund for natural resources important to the visitor industry, facilities, and public lands connected with enhancing the visitor

¹⁹ Conference Committee Report No. 146 on Senate Bill 1194, Senate Draft 2, House Draft 1, Conference Draft 1, dated April 26, 2013.

experience, to be expended by mutual agreement of the Board of Land and Natural Resources and the Board of Directors of the Hawai‘i Tourism Authority.²⁰

The Legislature also added in 2013 the required use of a portion of the TAT revenues to supplement deficient county public employer contribution amounts commencing with FY2019.²¹ Recognizing the need to reduce the unfunded liability of the State’s Employer-Union Health Benefits Trust Fund, the Legislature directed the use of general excise tax and TAT revenues to supplement deficit payments by state and county public employers, respectively.

In 2014, the Legislature again changed TAT allocations to the counties and established the State-County Functions Working Group to evaluate the division of duties and responsibilities between the State and counties and to recommend the appropriate TAT allocations to the counties.²² One legislative committee noted that TAT had been the subject of considerable discussion and debate among policymakers regarding its effect as a significant revenue generator and funding source in the State.²³

Stakeholder testimonies alluded to myriad impacts if the cap was lifted or retained, citing general fund tax losses if the cap was removed;²⁴ that county annual tourism-related expenditures far exceed the county’s capped portion of the TAT;²⁵ and that the imposed cap was always understood to be a temporary measure;²⁶ among others. In conference, the Legislature raised the TAT revenues allocated to the

²⁰ According to Department of Land and Natural Resources, the \$3 million is not accessible by the department because there is no appropriation.

²¹ Act 268 (SLH 2013).

²² Act 174 (SLH 2014).

²³ House Committee on Finance, Standing Committee Report No. 764-14 on House Bill 1671, House Draft 1, dated February 28, 2014.

²⁴ Testimony by Kalbert Young, State Director of Finance, dated March 28, 2014, to the Senate Committee on Ways and Means on House Bill No. 1671, House Draft 1, Senate Draft 1.

²⁵ Testimony of Kirk Caldwell, Mayor of the City and County of Honolulu, dated March 28, 2014, to the Senate Committee on Ways and Means on House Bill No. 1671, House Draft 1, Senate Draft 1.

²⁶ Testimony of William P. Kenoi, Mayor of the County of Hawai‘i, dated March 28, 2014, to the Senate Committee on Ways and Means on House Bill No. 1671, House Draft 1, Senate Draft 1.

counties to \$103 million for fiscal years 2015 and 2016, but reduced the allocation to \$93 million thereafter. Before the Legislature considered permanently establishing the TAT revenue allocations between the State and counties, it directed this State-County Functions Working Group to conduct a study to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

In 2015, the Legislature again introduced numerous measures to amend distribution of the TAT even as the Working Group continued to meet. The Working Group offered comments on all such measures, suggesting that the Legislature resist amending the distribution rate until after the group completed its work and issued its final report to the 2016 Legislature. Nevertheless, the Legislature passed two measures that changed the distribution priority and rate, which were enacted by the governor as Acts 117 and 121, SLH 2015. As amended, the law now distributes TAT revenues in the following priority and rate:²⁷

- (1) \$1.5 million to the Turtle Bay conservation easement;
- (2) \$26.5 million to the Convention Center Enterprise Special Fund;
- (3) \$82 million to the Tourism Special Fund;
- (4) \$103 million for each of fiscal years 2015 and 2016; and \$93 million for each fiscal year thereafter to the counties; and

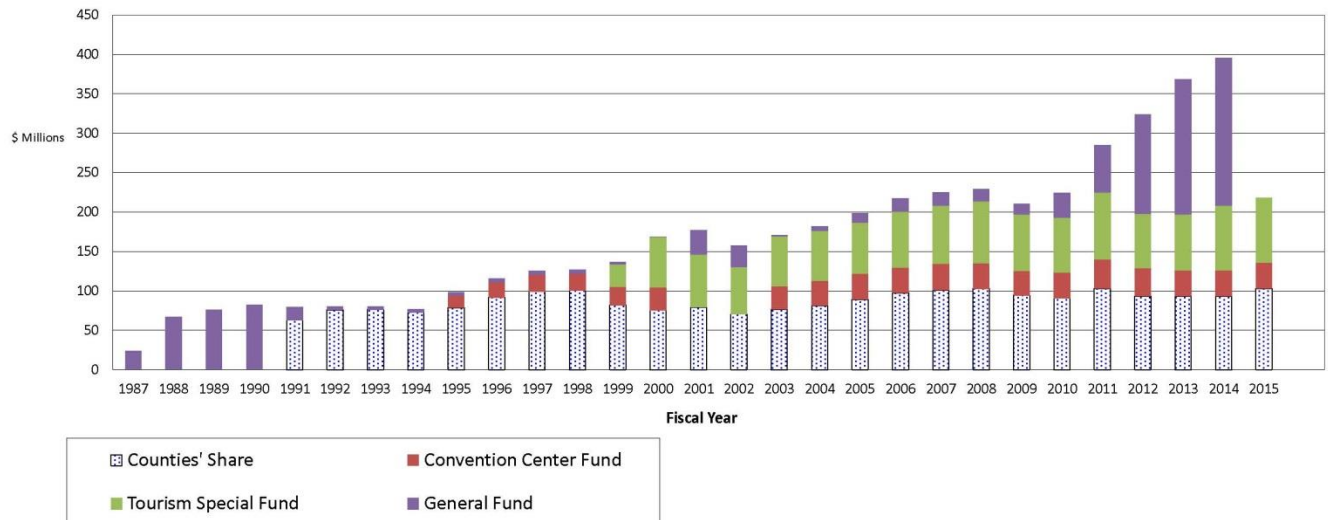
²⁷ Act 121 (SLH 2015).

- (5) \$3 million to the Special Land and Development Fund to be expended according to the Hawai'i Tourism Authority Strategic Plan for protection, preservation, maintenance, and enhancement of natural resources, including beaches, among other purposes.

Exhibit 3 shows TAT distributions to the various funds—counties' share, Convention Center Enterprise Special Fund, Tourism Special Fund, and the general fund—from FY1987 to March 2015.

Exhibit 3

TAT Distributions, FY1987–FY2014 and FY2015 (partial)



Source: Hawai'i Department of Taxation

State-County Functions Working Group Study Approach, Timetable, and Reporting

The Working Group undertook an ambitious monthly meeting schedule from November 2014 through August 2015; additionally, it met twice monthly from September through December 2015. Delays in engaging consultant services affected the Working Group's initially planned timetable and deliverables, but it sought to make up the lost time rather than eliminate work needed to address both Act 174

objectives. This report represents the Working Group's final report to the 2016 Legislature, governor, and each county mayor and council as required in Act 174, SLH 2014.

Funding and consultant services

As directed by Act 174, the Office of the Auditor paid all expenses incurred by Working Group members during the performance of their duties, and sought reimbursement by requesting that such amounts be included in the legislative budget act of 2015. Although the Auditor's budget request included Working Group funding, such funding was not included in the legislative budget bill; instead, the Legislature introduced two bills—one each in the House²⁸ and Senate²⁹—requesting \$165,000 for the State-County Functions Working Group (\$150,000 for consultant services and \$15,000 for actual expenses). The 2015 Legislature passed the House bill,³⁰ with funding of \$165,000 to be appropriated out of the \$103 million of TAT revenues allocated to the counties pursuant to Section 237D-6.5(b)(3), Hawai'i Revised Statutes. The bill was enacted by the governor as Act 134, SLH 2015, on June 19, 2015.

The Working Group determined at its November 5, 2015 meeting that it would request \$150,000 to engage a consultant to assist the group with carrying out its roles and responsibilities and preparing the final report. Although Working Group members possess specialized knowledge about county and state government and the tourism industry, collectively they lack background in tax policy and the skillset needed to develop methodologies, formulas, and calculations to determine an appropriate allocation of the TAT. The Working Group envisioned that the consultant would conduct research, attend meetings, and present reports, analyses, and information to the Working Group at its monthly meetings, in addition to assisting the Working Group with presentations and briefings to the 2016 Legislature on the Working Group's TAT recommendations.

²⁸ House Bill 1214, 2015 Regular Session.

²⁹ Senate Bill 1359, 2015 Regular Session.

³⁰ House Bill 1214, House Draft 1, Senate Draft 1, Conference Draft 1, 2015 Regular Session.

On August 19, 2015, the Working Group engaged the services of a consultant, Belt Collins Hawai‘i LLC, for \$150,000, to assist with compilation of references and resources, data analysis, development of allocation models integrating data on resident and tourist populations, use of major public facilities and infrastructure, and the cost of operations and expansion of infrastructure, especially facilities on which visitor satisfaction depends. Belt Collins would also assist with final report development, among other tasks.³¹

Belt Collins Hawai‘i LLC key personnel

Belt Collins has been a Hawai‘i planning and engineering firm since 1953. Key personnel managed the work flow, conducted fiscal analyses of net costs of infrastructure, and produced documents and slides with assistance of Belt Collins graphics staff. These key personnel brought years of experience in tax policy development, economic analysis of tourism, project management, long-range planning, infrastructure development and growth, among other specialties, and included:

James Mak, Ph.D. – Dr. Mak has been active in Hawai‘i state policy development and the economic analysis of tourism since the 1970s. He wrote the definitive account of tourism policy in Hawai‘i and has made pioneering studies of the transient accommodations tax.

Joseph Toy, CPA – Mr. Toy’s experience combines research and hands-on experience. He has advised private clients, the Hawai‘i Tourism Authority, and state and county agencies on visitor industry issues and trends. With over 30 years in management consulting and public accounting on an international basis, he is the President and CEO of Hospitality Advisors LLC based in Honolulu, Hawai‘i.

³¹ The consultant was procured via a request for proposals (RFP) with moneys appropriated by Act 134, SLH 2015.

Ms. Cheryl Palesh, P.E. – Ms. Palesh served as the Principal in Charge and has extensive project management experience. With a varied background working on engineering, master planning and environmental studies as well as design and construction projects, Ms. Palesh has an understanding of community infrastructure requirements, long-range planning, and the counties capital improvements programming.

John Kirkpatrick, Ph.D. – Dr. Kirkpatrick served as the Project Manager. Dr. Kirkpatrick has contributed to analyses of the contributions of existing and new development to transportation impact fees, working with county agencies and developers to project growth of infrastructure and demand from resident and visitor use. He has also addressed policy implications of transient visitor units on Maui, drawing on real property data and a resident survey.

Elizabeth Spleth – Ms. Spleth, who served as Senior Planner, has worked on aviation infrastructure projects and understands the contributions of federal, state, and local agencies to funding for operations and capital improvements in the transportation sector.

With the assistance of Belt Collins' expertise, the Working Group met twice a month from September through December 2015 to accomplish its objectives.

Consultant's Scope and Methodology

[BCH INSERT?]

Working group interim and final reports

The Working Group's interim report was delivered in December 2014 to the 2015 Legislature, governor, and each county mayor and council. This final report of the Working Group is being submitted to the 2016 Legislature, governor, and each county mayor and council, in December 2015 by the required

deadline of 20 days prior to the convening of the 2016 Regular Session. It includes a summary of Working Group discussions, analyses, and work undertaken by Belt Collins, as well as the Working Group's conclusions, and recommendations. The Legislative Reference Bureau assisted with drafting legislation, which is attached to this report in a form suitable for introduction during the 2016 legislative session.

The Working Group intends to meet during the 2016 legislative session in order to monitor and respond to legislative inquiries on the Working Group's proposed legislation. The Working Group's Chair, Associate Justice Simeon Acoba (retired), will testify in support of the proposed legislation on behalf of the Working Group. Other Working Group members may testify on the proposal either in each member's capacity as a Working Group member or, alternatively, in each member's capacity as a county or state official, or as a representative of the tourism industry. The Working Group looks forward to opportunities to explain its proposal to the Legislature's committees in informational briefings, upon the Legislature's request. The Working Group will cease to exist upon adjournment of the 2016 Regular Session, as directed by Act 174, SLH 2014.



M E M O R A N D U M

TO:	FROM:
Acting State Auditor Jan Yamane and State- County Functions Working Group	John Kirkpatrick for the Belt Collins team
COMPANY:	DATE:
State of Hawai‘i	August 24, 2015
SUBJECT:	JOB NUMBER/REFERENCE NUMBER:
Summary and Comparison of Allocation Models based on Working Group Discussions and Presentations	2015.70.0300

This memo is intended to bring together in one place the various models discussed by the Working Group (WG). The memo provides calculations for some of the allocation models, with the aim of eliciting clarifications as needed from the Working Group (WG). The Working Group may review the calculations and assumptions, and identify refinements that are needed. For each model, the shares of the State and the Counties as a group are presented. The following models are discussed:

1. Current allocation (based on presentation to the WG by ASA at the 7/1/2015 meeting);
2. Tiered “Historical Intent” model sketched by the Allocation Models IG (5/29/2015 memo);
3. Allocation Models IG draft “Recommended” model; and
4. Models based on estimates of the proportionate share of tourism expenses for State and Counties.
5. Models based on proportionate share of “public services.”

The Counties’ share of allocations using these models is as shown below:

Allocation of TAT Revenues (Models 1 to 3)

Current Allocation:	24%	Counties’ share of all <u>TAT revenues</u>
Tiered “Historical Intent” Allocation:	51%	
Allocation IG “Recommended”:	29%	

Allocation of Expenditures on Behalf of Tourists and the Visitor Industry

4.1 Direct expenditures (State IG assumptions):	52%	Counties’ share of <u>expenditures</u>
4.2 Weighted direct and indirect expenditures:	43%	
4.3 County IG procedures for direct +indirect:	~44%	
4.4 Average estimated by Allocation IG	40%	
4.5 Comment in 1989 ACIR report	53%	

Allocation of all “Public Service” Expenditures

5.1 Total Expenditures, State and Counties	23%	Counties’ share of <u>expenditures</u>
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The analysis of expenditures could be used as a stand-alone basis for TAT allocation or as part of a multi-step approach such as Model 3.



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The Working Group and its Investigative Groups (IGs) have generated several tables concerned with spending on tourism by each County and by the State. As far as we can see, the information in these tables has not yet been combined in a table for review by the WG. Much of the information in those tables deals with differences among the Counties. For the WG deliberations, we understand the key question to be the share of the TAT or tourism expenditures allocated to the Counties as a whole, not to each individual County.

Model 1: Current Allocation

Assumptions:

1. Total TAT revenue for FY 2015 estimated as \$425,000,000¹
2. Rate = 9.25%

Source: Auditor's handout, July 1, 2015 meeting of WG

Allocations:

Turtle Bay	\$1,500,000
Convention Center	\$26,500,000
Tourism Special Fund	\$82,000,000
Counties	\$103,000,000
DLNR	\$3,000,000
Remainder to state General Fund	\$209,000,000
Counties' share:	24.2%

Model 2: Tiered "Historical Intent"

Assumptions:

1. Total TAT revenue for FY 2015 estimated as \$425,000,000

Source: Allocation Working Group Memo dated May 29, 2015

Allocation:

Tier 1	5%	of the 9.25%	(54% of total)	\$229,729,730
	95%	to Counties		\$218,243,243
	5%	to State		\$11,486,486
Tier 2	2.50%	of the 9.25%	(27% of total)	\$114,864,865
		Convention Center and HTA		
Tier 3	1.75%	of the 9.25%	(19% of total)	\$ 80,405,405
Counties' share				51.4%

¹ TAT collections for May 2014 through April 2015 = \$411 million. If FY 2015 TAT revenues are forecast on the basis of historical trends, the annual total could be between \$421 and \$456 million. The high figure is based on the growth rate in recent years (with the 9.25% TAT rate). The assumed revenue amount used in this memo is a mid-range figure assuming that the 9.25% rate continues, not a prediction.



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Model 3: Allocation IG “Recommended”

Assumptions:

1. Total TAT revenue for FY 2015 estimated as \$425,000,000 (See next page for implications of different revenue levels)

Source: Allocation Working Group Memo dated May 29, 2015

Allocation:

Tier 1	Hawai‘i Tourism Authority (HTA)	\$83,000,000 (fixed)
Tier 2	Legislative allocation	
	10% of (Total - Tier 1)	\$34,200,000
Tier 3	Allocation to St/Counties of	
	90% of (Total - Tier 1)	\$307,800,000
	60% State	\$184,680,000
	40% Counties	\$123,120,000

Counties’ share: 29.0%

NOTES:

1. Minimum Counties’ share is \$100,000,000. If 40% of the Tier 3 funds is less than that, then the Counties receive the minimum and the State share of Tier 3 is reduced.
2. State share of Tier 3 includes allocations now earmarked for specific ends (debt service for Convention Center and Turtle Bay; conservation funding for DNLR). These are not called out as separate items in this approach.
3. What happens to legislative allocations in subsequent years? Presumably, that is for the Legislature to decide. An appropriation may lapse after a year, or be continued as part of the State’s Tier 3 share, or be nominated for re-funding in Tier 2 in later years.



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Model 3 with alternative assumptions about total TAT revenues:

Total TAT revenues	\$325.0	\$350.0	\$375.0	\$400.0	\$425.0	\$450.0	\$475.0	\$500.0	\$525.0	\$550.0	\$575.0	\$600.0
TSF: set amount	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0	\$83.0
Leg 10%	\$24.2	\$26.7	\$29.2	\$31.7	\$34.2	\$36.7	\$39.2	\$41.7	\$44.2	\$46.7	\$49.2	\$51.7
State: 60% of Tier 3	\$117.8	\$140.3	\$157.7	\$171.2	\$184.7	\$198.2	\$211.7	\$225.2	\$238.7	\$252.2	\$265.7	\$279.2
Counties: 40% of Tier 3	\$100.0	\$100.0	\$105.1	\$114.1	\$123.1	\$132.1	\$141.1	\$150.1	\$159.1	\$168.1	\$177.1	\$186.1
TSF share	25.5%	23.7%	22.1%	20.8%	19.5%	18.4%	17.5%	16.6%	15.8%	15.1%	14.4%	13.8%
County share	30.8%	28.6%	28.0%	28.5%	29.0%	29.4%	29.7%	30.0%	30.3%	30.6%	30.8%	31.0%

Within the range illustrated here, the Counties' share does not vary greatly.



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Model 4: Allocations based on tourism expenditures by State and Counties

The IGs have gone to some effort to identify expenditures that seem to provide direct and indirect support to the visitor industry. Several versions of the expenditure model can be considered.

Model 4.1 Direct expenditures (adapted from State IG handout)

In May, the State IG broke out State expenditures by functional category, and marked some as directly involved in supporting the visitor industry. This analysis can be extended to the Counties. In Model 4.1, all expenditures in a functional category are counted. (The tourism share of spending is presumably proportionate with the visitor share in the de facto population. Since the Counties are being viewed in combination, not separately, the visitor share for the State and Counties is the same, and this factor is not used in this model.)

	TOTAL FY 2014 EXPENDITURES		DIRECT		
	State	All Cties		State	All Cties
General Government	567,941,000	475,173,353	-	-	-
Public Safety	533,727,000	620,217,641	1	533,727,000	620,217,641
Public Works		25,087,937	-	-	-
Highway & Streets	554,039,000	91,682,104	1	554,039,000	91,682,104
Sanitation		99,805,019	1	-	99,805,019
Human Services		3,061,400	-	-	-
Culture & Recreation	104,303,000	157,338,632	1	104,303,000	157,338,632
Public Welfare	2,879,813,000	87,952,053	-	-	-
Utilities/Transportation		1,775,465	1	-	1,775,465
Debt Service		385,043,468	1	-	385,043,468
Miscellaneous		556,531,854	-	-	-
Net Transfer		5,330,031	-	-	-
Capital Outlay		106,796,300	-	-	-
Proprietary Funds		490,185,313	1	-	490,185,313
Airports	346,699,000		1	346,699,000	
Harbors	89,327,000		1	89,327,000	
Unemployment	244,947,000			-	
Other	87,031,000			-	
Conservation of Natural Resources	101,587,000		1	101,587,000	-
Health	849,493,000			-	-
Education	3,400,095,000			-	-
Urban Redevelopment, Housing	137,160,000			-	-
Economic Development and Assistance	166,455,000			-	-
Interest Expense	239,760,000			-	-
TOTAL	10,302,377,000	3,105,980,570		1,729,682,000	1,846,047,642

Counties' share

52%



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The list of functional expenditure categories in the above chart follows the list used by the County IG, then adds categories used by the State IG. (In other words, the assignment of direct categories follows State IG assumptions, while the category totals follow the County analysis of functional categories.)

Model 4.2 Direct and Indirect Expenditures (adapted from State IG handout)

The handout simply identifies functional categories as directly or indirectly related to tourism. For this version of the model, these relations have been recast as 25%, 50%, 75% or 100% support. The shares were assigned by the consultant team and are provisional. As with Model 4.1, the visitor share of population factor has not been used.

	TOTAL FY 2014 EXPENDITURES		Nuanced 25/50/75/100	State	All Cties
	State	All Cties			
General Government	567,941,000	475,173,353	25%	141,985,250	118,793,338
Public Safety	533,727,000	620,217,641	100%	533,727,000	620,217,641
Public Works		25,087,937	25%	-	6,271,984
Highway & Streets	554,039,000	91,682,104	100%	554,039,000	91,682,104
Sanitation		99,805,019	100%	-	99,805,019
Human Services		3,061,400	0%	-	-
Culture & Recreation	104,303,000	157,338,632	75%	78,227,250	118,003,974
Public Welfare	2,879,813,000	87,952,053	0%	-	-
Utilities/Transportation		1,775,465	50%	-	887,733
Debt Service		385,043,468	75%	-	288,782,601
Miscellaneous		556,531,854	0%	-	-
Net Transfer		5,330,031	0%	-	-
Capital Outlay		106,796,300	0%	-	-
Proprietary Funds		490,185,313	75%	-	367,638,985
Airports	346,699,000		100%	346,699,000	
Harbors	89,327,000		100%	89,327,000	
Unemployment	244,947,000		0%	-	
Other	87,031,000		0%		
Conservation of Natural Resources	101,587,000		100%	101,587,000	-
Health	849,493,000		50%	424,746,500	-
Education	3,400,095,000		0%	-	-
Urban Redevelopment, Housing	137,160,000		0%	-	-
Economic Development and Assistance	166,455,000		0%	-	-
Interest Expense	239,760,000		0%	-	-
TOTAL	10,302,377,000	3,105,980,570		2,270,338,000	1,712,083,379
Counties' share			43%		

Model 4.3: County IG Analysis, extended to the State

For each of the Counties, the FY 2014 CAFR expenditures have been assessed as tourism-related. These expenditures are summed in general categories; the actual analysis involved consideration of more specific expenditure items. The terminology used by the different Counties varies slightly; so does the



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assignment of expenditures as more or less tourism-related. For this model, the Counties' analyses are incorporated into the model. State expenditures are (a) pro-rated by the visitor share of the de facto population and (b) allocated using the "Nuanced" allocation of broad functional categories found in Model 4.2.

	TOTAL FY 2014 EXPENDITURES		Nuanced 25/50/75/	State 13.3%	All Cties
	State	All Cties			
General Government	567,941,000	475,173,353	25%	18,938,118	19,563,292
Public Safety	533,727,000	620,217,641	100%	71,188,977	69,720,705
Public Works		25,087,937	25%	-	701,142
Highway & Streets	554,039,000	91,682,104	100%	73,898,210	18,020,837
Sanitation		99,805,019	100%	-	15,527,903
Human Services		3,061,400	0%	-	
Culture & Recreation	104,303,000	157,338,632	75%	10,434,020	22,848,011
Public Welfare	2,879,813,000	87,952,053	0%	-	5,713,194
Utilities/Transportation		1,775,465	50%	-	158,016
Debt Service		385,043,468	75%	-	19,411,067
Miscellaneous		556,531,854	0%	-	13,434,851
Net Transfer		5,330,031	0%	-	448,528
Capital Outlay		106,796,300	0%	-	6,632,399
Proprietary Funds		490,185,313	75%	-	43,626,493
Airports	346,699,000		100%	46,243,018	
Harbors	89,327,000		100%	11,914,514	
Unemployment	244,947,000		0%	-	
Other	87,031,000		0%	-	
Conservation of Natural Resources	101,587,000		100%	13,549,764	
Health	849,493,000		50%	56,653,062	
Education	3,400,095,000		0%	-	
Urban Redevelopment, Housing	137,160,000		0%	-	
Economic Development and Assistance	166,455,000		0%	-	
Interest Expense	239,760,000		0%	-	
TOTAL	10,302,377,000	3,105,980,570		302,819,683	235,806,438

Counties' share

44%

NOTE: Procedures used to estimate State and Counties' shares are distinct, as described above.

The procedures used to generate models 4.2 and 4.3 involve some guesses about the deliberations of the County IG and further guesses about the share of expenditures to be associated with the visitor industry. Consequently, these models are for discussion purposes only.

4.4: Allocation Model IG Comment

The Allocation Model IG has commented that the State vs. Counties' tourism expenditures was distributed at about 60% to 40%.



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4.5 ACIR Comment

The 1989 paper by the Advisory Committee on Intergovernmental Relations (prepared for the Tax Review Commission) includes a comment: “approximately 53% of all outlays for services from which visitors directly benefit are made by the counties.” (p. 149).

5: Allocations based on Expenditures for “Public Services”

Model 5.1: Total Expenditures

The 2014 CAFR reports show total expenditures as:

- State: \$10,302,377,000
- Counties: \$3,105,980,170

The Counties’ share of the total expenditures is 23.2%.

Clearly, some government expenditures could be treated as not for “public services.” The consultants have not attempted to refine the definition of “public services” in advance of input from the WG.

A handout will be prepared for the September 16 meeting concerning preliminary allocation models.