

October 12, 2021

To: Hawai'i Tax Review Commission

From: Beth Giesting, Chair

Re: **Proposed Recommendation on Visitor Green Fees**

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*I am submitting the following proposed recommendation for the Commission's discussion and decision-making at our meeting on October 13, 2021.*

The Hawai'i Tax Review Commission urges the legislature to recognize the urgency to address the sustainability of Hawai'i's natural ecosystem and enact public policy that accomplishes that purpose. As noted by the Hawai'i Green Fee coalition,

Hawai'i's ecosystems and natural and cultural resources provide over \$6 billion in value to our economy each year, supporting our communities and our visitor industry. These vital resources and ecosystems underpin our culture, our livelihoods, and our tourism sector but we underinvest in this "green infrastructure," committing only 1% of our state budget each year and creating an annual financing deficiency of \$360 million. With escalating visitor impacts, climate change, and intensifying local threats to our ecosystems, there is an immediate need for innovative conservation financing solutions in Hawai'i to ensure the security of our population and the resilience of our natural systems and the economic engine that depends on them.

Visitor green fees are used all around the world to generate revenue to protect natural and cultural resources, create green jobs, and enhance the visitor experience. Visitor green fees are payments made by tourists, primarily to regulatory entities, with the explicit purpose of funding natural resource management. This policy approach, now implemented in dozens of geographies worldwide, offers a solution to offset visitor impacts to ecosystems, and provides a means to protect nature that communities and tourists alike depend on.

We recommend that the state legislature commit public funding to carry out a study to provide specific recommendations to create and implement environmental impact fees, hereafter to referred to as "green fees." It is urgent that we address our threatened ecosystem, so this should be authorized as an "implementation study" focused on putting a green fee program in place with all possible speed.

Among other things, the implementation study should address:

- A permanent commitment to a program of environmental protection and restoration. This could include establishing a trust and public-private oversight similar to structures that support public worker pensions and other retirement costs, but should also address:
  - Putting safeguards in place to ensure that funds are used for environmental preservation and mitigation; and
  - Ensuring accountability and transparency around the collection and use of funds.
- Means of raising green fees, including such possibilities as:

- Using existing state Transient Accommodations Taxes or adding a TAT surcharge;
- Implementing or increasing park and other user fees for outdoor activities;
- Imposing general excise tax surcharges for certain visitor-related activities, services, and purchases; and/or
- Some combination of these or other approaches.
- Estimating the likely revenue-producing potential and adequacy for each fee strategy.
- Identifying likely associated positives and negatives, including
  - Legal challenges that might to be triggered by different approaches;
  - Potential impact on visitor spending and arrivals; and
  - Other effects on Hawai'i's economy.
- Specific uses for fees collected, such as:
  - Creating a "conservation corps" to rehabilitate and/or protect vulnerable outdoor spaces such as watershed, forest, or wetland areas;
  - Educating visitors about protecting the 'aina and creating opportunities for them to participate in restoration projects; and
  - Offsetting the costs to support and expand the program, including fee or tax collection processes and administration and public reporting.
- Opportunities to aggregate resources and/or expand and coordinate activities involving the state, counties, and private entities.
- Timeline and requirements needed for implementation, and identification of public agencies and their responsibilities.
- Specific legislative language recommended to initiate and implement a green fee program.