

## SB 1272 – Relating to Taxation

Amends the transient accommodations tax to require that the first \$2,000,000 of tax revenues deposited to the credit of the tourism special fund and subsequently allotted among specific funds.



## TOURISM LIAISON

LINDA LINGLE  
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Statement of  
**MARSHA WIENERT**  
**Tourism Liaison**  
Department of Business, Economic Development & Tourism  
before the  
**SENATE COMMITTEE ON TOURISM**  
Thursday, February 5, 2009  
2:45 p.m.  
State Capitol, Conference Room 229

in consideration of  
**SB 1272**  
**RELATING TO TAXATION.**

Chair Nishihara, Vice Chair Galuteria and Members of the Senate Committee on Tourism.

The Department of Business, Economic Development and Tourism has concerns with SB 1272, which amends the transient accommodations tax to require that the first \$2 million of tax revenue deposited into the tourism special fund be appropriated to the state parks special fund, the Hawai'i statewide trail and access program through the special land and development fund and the pest inspection, quarantine and eradication fund.

Currently, 90% of the first \$1 million of tax revenues deposited into the tourism special fund is appropriated to the state parks special fund and 10% is deposited into the special land and development fund established for the Hawai'i statewide trail and access program.

While we believe that it is important to protect our environment and that there is a need for further pest inspections, we have concerns with utilizing the tourism special fund for this purpose. We also have concerns with increasing the amount from \$1 million to \$2 million.

Therefore, we respectfully request that this bill be held.

Thank you for the opportunity to comment on SB 1272.



LINDA LINGLE  
Governor

LLOYD I. UNEBASAMI  
Interim President and  
Chief Executive Officer

# Hawai'i Tourism Authority

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Testimony of  
**Lloyd Unebasami**  
Interim President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. 1272**  
**Relating to Taxation**

Senate Committee on Tourism  
Thursday, February 5, 2009  
2:45 p.m.  
Conference Room 229

The Hawai'i Tourism Authority (HTA) strongly opposes S.B. 1272, which proposes to allocate transient accommodations tax revenues in to the Pest Inspection, Quarantine, and Eradication Fund.

In its Kahului Risk Assessment, the Department of Agriculture found that "aircraft, passenger carry-on, and checked baggage were low risk for the importation of alien species," and that the "highest risk was with agricultural commodities imported as cargo."

In 2008, the Legislature passed H.B. 2843, which became Act 3, Special Session of 2008, which imposed a "fee for the inspection, quarantine, and eradication of invasive species." The fees collected by the Department of Agriculture are to be deposited into the Pest Inspection, Quarantine, and Eradication Fund, for the operation of pest inspection, quarantine, eradication, biosecurity, and monitoring programs. Act 3, imposes a fee of 50 cents for every one thousand pounds of freight brought into the state.

If the purpose of S.B. 1272, is to increase the funding of the Pest Inspection, Quarantine, and Eradication Fund, the HTA suggests that Act 3, Section 150A-5.3 be amended to increase the fee on the commodities with the highest risk for importation of alien species.

For the Pest Inspection, Quarantine, and Eradication Fund, the TAT does not meet the test for special funds that requires a "clear nexus between the benefits sought and charges made upon the users."

Thank you for the opportunity to offer these comments.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TRANSIENT ACCOMMODATIONS, Disposition for pest inspection, quarantine, and eradication fund

**BILL NUMBER:** SB 1272

**INTRODUCED BY:** Kim, English, Hooser, Nishihara, Tsutsui, and 7 Democrats

**BRIEF SUMMARY:** Amends HRS section 237D-6.5(b)(2) to provide that of the 34.2% of transient accommodations tax (TAT) revenues deposited into the tourism special fund, beginning on July 1, 2009, of the first \$2,000,000 in revenues deposited: (1) \_\_\_\_\_% shall be deposited into the state parks special fund established in section 184-3.4; (2) \_\_\_\_\_% shall be deposited into the special land and development fund established in section 171-19 for the Hawaii statewide trail and access program; and (3) \_\_\_\_\_% shall be deposited into the pest inspection, quarantine, and eradication fund established in HRS section 150A-4.5.

**EFFECTIVE DATE:** July 1, 2009

**STAFF COMMENTS:** The legislature by Act 235, SLH 2005, increased the percentage of revenue deposited into the tourism special fund from 32.6% to 34.2%, provided that of the first \$1 million deposited into the tourism special fund, 90% shall be deposited into the state parks special fund and 10% deposited into the special land and development fund established for the Hawaii statewide trail and access program, and 0.5% of the 34.2% shall be deposited into a sub-account of the tourism special fund to provide funding for a safety and security budget.

The proposed measure would increase the \$1 million to \$2 million deposited into the tourism special fund, change the percentage of funds earmarked into the state parks special fund, special land and development fund, and adds a new program area to be funded - for the pest inspection, quarantine, and eradication fund.

While the proposed measure would add another siphon of TAT revenues, it would perpetuate the earmarking of TAT revenues for activities other than tourism. While proponents of earmarking of the TAT argue that if the trail and access programs are not funded, none of the pristine beauty that visitors come to see will be preserved, one could make the argument on the other side. If there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state's economy. Lawmakers seem to have lost sight of the fact that visitors also contribute to state coffers directly through the 4% on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay to help maintain the state parks and the trail and access program, then paying for those programs out of general funds is just as appropriate as stealing the money from what is identified as a tax paid specifically by the visitor.

Unfortunately, lawmakers would rather spend those general funds on other pet programs and projects.

What they have decided is that maintaining the state's parks is not a high enough priority to be funded out of the general fund pot. Indeed if state parks are of such a priority, then they should be measured along side all other general fund financed programs. Limiting the amount of money to be expended on visitor promotion, an effort to bring more visitor dollars to Hawaii, is short-sighted. What will lawmakers say when visitor arrivals don't grow or, more importantly, if visitor expenditures don't continue to contribute ever increasing tax revenues to the state coffers?

Rather than the continual earmarking of TAT revenues to provide funds for the state parks fund or the Hawaii trail and access program, or the pest eradication and quarantine program proposed by this measure, a direct appropriation of general funds would be preferable.

Digested 2/3/09



**HAWAII HOTEL & LODGING  
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31<sup>st</sup> Anniversary  
Are You Walking???  
May 16, 2009  
(Always the 3<sup>rd</sup> Saturday in May)  
[www.charitywalkhawaii.org](http://www.charitywalkhawaii.org)

**TESTIMONY OF MURRAY TOWILL  
PRESIDENT  
HAWAII HOTEL & LODGING ASSOCIATION**

**February 5, 2009**

**RE: SB 1272 Relating to Taxation**

Good afternoon Chairman Nishihara and members of the Senate Committee on Tourism. I am Murray Towill, President of the Hawaii Hotel & Lodging Association.

The Hawaii Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 170 hotels representing over 47,300 rooms. Our hotel members range from the 2,523 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association does not support SB 1272 Relating to Taxation. This bill would earmark some of the funds currently going over to the Hawaii Tourism Authority ("HTA") to the pest inspection, quarantine and eradication fund. While helping to keep Hawaii free of alien species is a desirable activity, we do not support earmarking funds that are intended for the HTA.

Mahalo again for this opportunity to testify,

LINDA LINGLE  
Governor



State of Hawaii  
DEPARTMENT OF AGRICULTURE  
1428 South King Street  
Honolulu, Hawaii 96814-2512

SANDRA LEE KUNIMOTO  
Chairperson, Board of Agriculture

DUANE K. OKAMOTO  
Deputy to the Chairperson

TESTIMONY OF SANDRA LEE KUNIMOTO  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON TOURISM  
THURSDAY, FEBRUARY 5, 2009  
2:45 PM  
ROOM 229

SENATE BILL NO.1272  
RELATING TO TAXATION

Chairperson Nishihara and Members of the Committee:

Thank you for the opportunity to provide testimony on Senate Bill No. 1272. The purpose of this bill is to amend the transient accommodations tax to require that the first \$2,000,000 of tax revenues be deposited to the credit of the tourism special fund and subsequently allotted among specific funds, including the department's pest inspection, quarantine, and eradication fund. The department offers comments.

The department's Plant Quarantine Branch, is legally mandated to inspect disembarking passengers, baggage, and cargo to reduce the introduction of invasive species that are brought into the State as a result of the movement of people and goods. Last year, the Legislature amended the inspection fee to help defray the costs of inspection services provided by the Department.

The airport system transports the majority of the tourists that come into the State. The airport system runs 365 days a year, twenty-four hours a day. Unfortunately, there has never been sufficient staffing to cover the airport's operational hours on regular time. As a result, the majority of our staffing is assigned to the airports and the majority of our paid overtime funded by general funds is used to pay for holiday, pre-shift, and post-shift to maintain staffing levels to minimize inspection delays. Because of the

current difficult economic conditions, a number of general funded positions that conduct inspections will be shifted into the pest inspection, quarantine, and eradication fund in July, 2009.

Tourists come to Hawaii to enjoy the beauty of the islands. The welfare of our environment is dependent on our ability to prevent the introduction of invasive species. Based on a study done in 2004 by the United States Department of Agriculture, National Wildlife Research Center, it was estimated that the impact on tourism from the introduction of just the Brown Tree Snake (BTS) from Guam would be about \$137 million a year at that time. We have had eight confirmed finds of the BTS on the island of Oahu thus far. It is far worse now as federal and state agencies are expecting 600 times more cargo from Guam moving within and around the Pacific Rim in 2010 due to the military expansion in Guam.

Another joint study done in 2007 by Hawaii Pacific University, University of Hawaii, and the U.S. Geological Survey, Pacific Island Ecosystems Research Center, estimated that the impact of the red imported fire ant (RIFA) on recreation, tourism, and business, which includes golf courses, hotel/resort areas, and commercial businesses, would be approximately \$7 million a year and nearly \$135 million for forgone outdoor activities for households and tourists. We have had two interceptions of this ant thus far, and now this pest completely surrounds us because of its presence on the West Coast, in Asia, and the Pacific.

Should there be insufficient funds in the pest inspection, quarantine, and eradication fund to fully exercise inspection operations, this measure would provide a supplemental source of funds.



THE SENATE  
25<sup>th</sup> LEGISLATURE  
REGULAR SESSION of 2009

COMMITTEE ON TOURISM  
Senator Clarence Nishihara, Chair

2/5/09  
2:45 PM

SB 1272  
Relating to Taxation

Chair Nishihara and members of this Committee, my name is Max Sword, here on behalf of Outrigger Hotels, to comment on this bill.

We support the intent of this bill and support the efforts to maintain our parks, trails and to keep pests, like the beach flies in parts of Tahiti, out of Hawaii.

However, in the current economic condition that we find ourselves in today, we need every penny we can get to market Hawaii, so that we fill the seats on the planes and beds full in the hotels.

We urge you to take that into consideration when deliberating on this bill.

Mahalo for allowing me to testify.

LINDA LINGLE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of  
LAURA H. THIELEN  
Chairperson**

**Before the Senate Committee on  
TOURISM**

**Thursday, February 5, 2009  
2:45 PM**

**State Capitol, Conference Room 229**

**In consideration of  
SENATE BILL 1272  
RELATING TO TAXATION**

Senate Bill 1272 would amend the Transient Accommodations Tax (TAT) to require that the first \$2,000,000 of tax revenues be deposited in the Tourism Special Fund and subsequently allotted to other specific funds. The Department of Land and Natural Resources (Department) is concerned with removing the current percentage amounts deposited into the State Parks Special Fund and the Special Land and Development Fund. The Department defers to the Hawaii Tourism Authority on the impacts this measure will have on their program, and the Department of Budget and Finance on the impact this measure will have on the State Financial Plan.

Presently, an amount of \$1,000,000 from the TAT is allotted to the Department. Of this amount, 90% is allotted to the State Parks Special Fund and 10% is allotted to the special fund for Statewide Trail and Access Program (Na Ala Hele). These funds have been received by the Department since 2005 and have allowed the Department to make significant improvements to the parks and trails for the benefit of both residents and visitors. As noted, the Department has concerns with removing the current percentage amounts deposited into the State Parks Special Fund and the Special Land and Development Fund that may lead to reducing the current level of funding for parks (\$900,000) and trails (\$100,000). Maintaining this level of funding is critical for ongoing maintenance, management, and repair.

To better manage and maintain the facilities and resources in the State Park System, the Department respectfully asks for your support of the Administrative measures, House Bill 1131/ Senate Bill 0949, RELATING TO RECREATIONAL RENAISSANCE that would provide funding and the policy tools which enable the Department to upgrade and maintain the state parks, trails and ocean recreational facilities at world class levels and to protect the precious natural resources of the State.

LAURA H. THIELEN  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI  
FIRST DEPUTY

KEN C. KAWAHARA  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
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KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS