

HB 1204, HD2

Relating To Tourism



LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

Testimony of
Lloyd I. Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority

on
H.B. 1204, H.D.2
Relating to Tourism

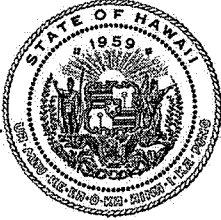
Senate Committee on Tourism
Thursday, March 19, 2009
2:45 p.m.
Conference Room 229

The Hawai'i Tourism Authority (HTA) strongly supports H.B. 1204, H.D. 2, which proposes, for fiscal years 2009-2010 and 2010-2011, to provide an additional distribution of not more than an unspecified amount of funds in transient accommodations tax (TAT) revenues to the Tourism Special Fund.

Since 2004, Hawai'i's visitor industry has reached record levels in terms of performance. In 2007, the latest data available for a full year, Hawai'i's visitor industry in Hawaii produced \$12.5 billion or 21.8 percent of the gross state product, accounted for 187,000 jobs or 21.4 percent of the total employment for the state and contributed \$1.29 billion tax dollars to the state and county government or 20.8 percent of total tax revenues. That was at a time when the industry was prospering and TAT revenues increasing as well. However, the economic crisis that has affected the nation and Hawai'i since 2008 and is still ongoing, has resulted in lower TAT collections and consequently, caused the HTA to revisit its \$88 million budget approved by the Legislature for the current fiscal year and plan for more realistic expenditures closer to \$71 million.

The additional revenues that H.B. 1204, H.D. 2 will provide HTA during these challenging times, will enable the Authority to invest in programs under the Marketing, Access and Research & Planning Initiatives that will help to stimulate travel to Hawai'i and as a result, support Hawai'i's economy, help to sustain jobs and bring in tax revenues to state and county governments. Equally important are the other non-marketing initiatives outlined in the Hawai'i Tourism Strategic Plan (TSP) such as Hawaiian Culture, Natural Resources, Tourism Product Development, Workforce Development, Safety & Security and Communications & Outreach. All nine initiatives are needed to ensure a long-term and sustainable visitor industry.

We strongly support H.B. 1204, H.D. 2 and urge its passage. Thank you for the opportunity to testify on this measure.



TOURISM LIAISON

LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 586-2362
Fax: (808) 586-2370

Statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON TOURISM
Thursday, March 19, 2009
2:45 p.m.
State Capitol, Conference Room 229

in consideration of
HB 1204 HD2
RELATING TO TOURISM.

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

The Department of Business, Economic Development and Tourism appreciates the intent of HB 1204 HD2, but has concerns regarding the impact on the General Fund. This bill distributes an additional unspecified amount of funds in transient accommodations tax revenues to the tourism special fund in fiscal year 2009-2010 and fiscal year 2010-2011.

Hawai'i experienced a sharp decline in visitor arrivals and visitor spending in 2008, with visitor arrivals decreasing 10.8% to 6.8 million visitors. Visitor expenditures decreased \$1.2 billion, or 9.9%, to \$11.3 billion. These declines have had a huge effect on the state, as tourism plays such a large role in our economy and the health of the industry affects everything.

Increased tourism marketing and outreach is a part of the state's five-point economic sustainability plan. We view tourism marketing as an investment in the economy. It has been proven time and again that increased marketing is one of the quickest ways to get our economy back on its feet.

While we believe that these additional tourism special fund dollars are needed, the loss of revenue to the General Fund has not been taken into consideration in the Executive Biennium Budget. We do believe, however, that to stimulate our economy, additional marketing efforts need to be implemented. These marketing efforts will generate additional revenue through other taxes that benefit the general funds of the state.

Thank you for giving me the opportunity to comment on HB 1204 HD2.

nishihara2 - Bert

From: Torchiana, Maynard [maynard@drhmaui.com]
Sent: Monday, March 16, 2009 4:21 PM
To: TSM Testimony
Subject: Senate Tourism Committee Hearing Thursday March 19th, 2009 at 2:45 PM

Aloha Honorable Committee

I would like to submit my testimony on the four bills being discussed. Thank you in advance for your indulgence.

I have been in the tourism business for the past 22 years on Maui. I have been chairman of the Maui Visitors Bureau three times over the years. I have been on the Executive Board of HCVB. I have travelled on Asia Missions with two Governors and three Mayors of Maui County. I supported Hawaii in Germany at ITB for 7 years. I Co Founded the Wailea Destination Association, which is now under the direction of the Wailea Community Association of which I am the Vice President of the Board. I attended trade shows and media receptions throughout the United States. I am a Certified Hotel Administrator. I have the largest short term rental property management company within the Wailea/Makena Resorts. I employ 120 people and depend on tourism. I would hope that you would consider me to be knowledgeable about our industry.

When the TAT was proposed as a method of generating sales and marketing revenues for tourism we supported the effort. As island chapters we supported it because we got a defined/fixed percentage of the funding for our county sales and marketing efforts. When HTA was formed we supported that as well. The understanding of how HTA was to function was clear. As we all know that has changed over the years. Now we have a crisis in our State and I am not sure who is at fault, but if we spend time pointing fingers and making changes now it is going to get a lot worse. Hawaii has an image problem and so do the outer islands. Marketing dollars can help to improve that image. HTA has become mired down in the political bureaucracy and it cannot function that way.

I support HB 960 HD2 to allow HTA access to the \$5M in the Tourism Emergency Fund and I beseech you to support it as well. We need to be proactive.

I support HB 1204 HD2 which would give \$10M in additional funding to HTA FY 2009-10. This money will go a long way to increasing visitors to our islands which in turn will provide jobs or better stated allow us to keep the employees we have rather than laying them off. Perhaps you might want to take a look at collecting TAT from all the people that should be paying. If you went on the VRBO web site for example, pulled up the names/addresses listed and the property they are advertising for transient rentals and crossed checked their property tax classification and their TAT reporting you will find discrepancies Statewide. I am convinced that between TAT and property taxes there could be as much as \$10M not collected that could be.

I oppose HB 1763 HD2 because I believe that this is not the time to make such a dramatic change. Sure we may all agree HTA is not perfect in fact it needs to change how it functions. I am convinced that the time it takes to convert over to another way of conducting and managing tourism is the wrong approach to take now.

I oppose HB 754 HD1 for the same reasons I have cited earlier. Changing the HTA Board composition is not the right thing to be doing now. Let's move forward and get Hawaii back as the best and only place in the world to vacation.

Respectfully Submitted

Maynard Torchiana | Executive Vice President/Managing Director
Destination Resorts Hawaii | 3750 Wailea Alanui Drive #B51 | Wailea, Maui, HI 96753
P: 808.891.6201 | F: 808.891.4554 | www.drhmaui.com

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Doug Sears
General Manager

Grand Hyatt Kauai
Resort & Spa
1571 Poipu Road
Koloa, Kauai, HI 96756 USA

Telephone: 808.742.1234
FAX: 808.240.6591
E-mail: dsears@hyatt.com



TO: Senator Clarence K. Nishihara, Chair
The Senate Committee on Tourism

Testimony of Doug Sears, General Manager, Grand Hyatt Kauai Resort & Spa

HB 960 HD2 – RELATING TO THE HAWAII TOURISM AUTHORITY: I SUPPORT THIS BILL.
This measure would broaden the scope of a tourism emergency to include a regional or worldwide economic crisis, which would allow HTA to access the \$5 million in the Tourism Emergency Fund for the challenges we face today.

HB 1204 HD2 – RELATING TO TOURISM: I SUPPORT THIS BILL. This measure would allocate an additional amount of funds to the tourism special fund (HTA funding) for FY 2009-10 and 2010-11. This bill started out appropriating \$10 million more each fiscal year however in the HD2 version the amount of funding is blank. We urgently need to invest additional marketing dollars towards jobs and economic recovery.

HB 1763 HD2 – RELATING TO THE HAWAII TOURISM AUTHORITY: I OPPOSE THIS BILL. This measure repeals the Hawaii Tourism Authority and establishes a Department of Tourism, transfers the Convention Center Special Fund and the Tourism Special Fund to the newly created Department of Tourism. I believe that the current HTA structure and it's board of directors, especially now, is the correct approach.

HB 754 HD1 – RELATING TO THE HAWAII TOURISM AUTHORITY: I OPPOSE THIS BILL. This measure removes the DBEDT, DOT and DLNR from the HTA Board of Directors. It also removes the State Foundation on Culture and the Arts from the board. All of these positions are non-voting positions on the Board. The State Strategic Tourism Plan identifies DOT, DLNR and the Tourism Liaison as being instrumental in achieving the goals established in the plan and I believe they should continue to be a part of the HTA Board of Directors. I do not believe that there is any justification for changing the make-up of the board.



TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Additional revenue for tourism special fund

BILL NUMBER: HB 1204, HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 237D-5.5 to repeal the provision that excess transient accommodations tax (TAT) revenues be deposited into the general fund. After all distributions of TAT revenues have been made, for fiscal year 2010 and fiscal 2011, \$___ million or all remaining TAT revenues, whichever is less, shall be deposited into the tourism special fund. If there are any remaining revenues, such revenues shall be deposited into the general fund.

Beginning in fiscal 2012, all remaining TAT revenues shall be deposited in the general fund.

EFFECTIVE DATE: July 1, 2112

STAFF COMMENTS: The proposed measure would divert any excess TAT revenues, up to \$___ million that would normally be deposited into the state general fund in fiscal 2010 and fiscal 2011 into the tourism special fund.

The proposed measure clearly demonstrates the pitfalls of earmarking funds to fund specific programs. Be it a dollar amount or a percentage of some revenue resource, there is no way lawmakers can determine what the future needs or lack of needs may be. Appropriating the funds necessary insures not only that there will be sufficient funds, but there will be oversight and accountability for the expenditure of those funds. As an alternative to earmarking of TAT revenues, the legislature may wish to repeal the earmarking and utilize a direct appropriation approach in order to ensure adequate funding for the promotion of Hawaii as well as to ensure adequate funding for the convention center.

Digested 3/17/09



Maui Hotel & Lodging
ASSOCIATION

Testimony of
Carol Reimann
Executive Director
Maui Hotel & Lodging Association
on
HB1204 HD2
Relating to Tourism

Senate Committee on Tourism
Thursday, March 19, 2009 – 2:45pm
Conference Room 229

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of Maui's Visitor Industry. Our membership includes approximately 120 property and allied business members – all of whom have an interest in the visitor industry.

MHLA supports HB1204 HD2 entitled Relating to Tourism. The additional distribution funds for fiscal years 2009-2010 and 2010-2011 to the tourism special fund will enable the Visitor Industry to remain viable via the investment of much needed marketing and funding of programs to stimulate travel to Hawaii. These funds will also support initiatives to improve the visitor experience.

Hawaii's visitor industry is the economic driver for the State. Funds invested in the tourism special fund will help to stimulate our economy, sustain jobs and bring in tax revenue during these tough economic times.

We humbly ask for your support of HB1204 HD2.

Thank you for your consideration.

Sincerely,

Carol Reimann
Executive Director

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON TOURISM
ON
HOUSE BILL NO. 1204, H.D. 2

March 19, 2009

RELATING TO TOURISM

House Bill No. 1204, H.D. 2, amends Section 237D-6.5, Hawaii Revised Statutes, to deposit an additional undetermined amount of transient accommodation tax revenues in Fiscal Year 2010 and Fiscal Year 2011 into the tourism special fund.

The Department of Budget and Finance opposes this bill. The bill will further reduce the amount of funds available for the State's General Fund. In light of the current fiscal crisis, we cannot afford to reduce the State's General Fund balance.



Testimony to the Senate Committee on Tourism
Conference Room 229, State Capitol
Thursday, March 19, 2009; 2:45 p.m.

RE: HOUSE BILL NO. 1204 HD2, RELATING TO TOURISM EMERGENCY

Chair Nishihara, Vice Chair Galuteria, and Members of the Committee:

The Chamber of Commerce of Hawaii supports HB 1204 HD2, relating to Tourism Emergency.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber, through its Tourism Committee, encourages a broad base of understanding, support and appreciation for the Tourism and Travel Industries within the business community, Legislature and the general public. The committee also supports visitor industry growth and improvement while working to enhance the visitor experience.

The Chamber understands the value and significance of the tourism industry to Hawaii's economy. Any decline in this sector harms all businesses, including small businesses that solely rely on tourism. Unfortunately, the industry is being exponentially impacted by the current economic situation.

The priorities are to increase visitors, create jobs and put our people back to work. As a result, the Chamber believes it is critical to seek assistance in addressing the current state of our number one industry. This measure will greatly support the tourism industry, thus Hawaii's economy, during this volatile period.

The Chamber of Commerce and its Tourism Committee, therefore, support HB 1204 HD2 and urges the committee's support of this measure.

Thank you for the opportunity to provide written comments.



**HAWAII HOTEL & LODGING
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
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**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION**

March 19, 2009

RE: HB 1204 HD2 Relating to Tourism

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 2,860 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association strongly supports HB 1204 HD2 Relating to Tourism. This bill would temporarily increase the amount of Transient Accommodations Tax (TAT) revenue going to the Hawaii Tourism Authority (HTA). We believe this bill would provide increased funding to the HTA at a very critical time.

In recent years as tourism has prospered and TAT revenue increased, the HTA has been able to increase the funding for other activities included in their broad mandate. Unfortunately, the severe economic downturn we are facing is reducing the funds to the HTA due to the falling TAT revenue. The downturn has also increased the need for marketing. We must once again focus spending on marketing to stimulate our economic recovery. Additional funds would help the HTA and its contractors to be in the marketplace touting Hawaii's assets and the value of a Hawaii vacation. While many people are not traveling, many others are. We need to be reaching out to the traveling public promoting Hawaii.

In times like these, marketing is an investment that pays off in economic activity and tax revenues. Based on the Department of Business Economic Development & Tourism ("DBEDT") 2007 visitor numbers, each visitor generates about \$150 in tax revenue. At this level, every 6,700 visitors generate \$1 million in taxes. Increased marketing is one of the few options available in the near term to help keep people working and generate tax revenue.

Finally we ask you to amend the effective date to July 1, 2009.

We urge you to support this bill. Mahalo again for this opportunity to testify.

nishihara2 - Bert

From: marievilla@latinbusinesshawaii.com
Sent: Wednesday, March 18, 2009 10:12 AM
To: TSM Testimony
Subject: Bill 1204 HD2

Senate Committee on Tourism
Thursday, March 19, 2009
2:45 p.m.
Conference Room 229
State Capitol

RE:Bill 1204 HD2

Chair Nishihara, Vice Chair Galuteria, and members of the committee:

I oppose this bill, for the same reason I oppose bill 960 HD2 We need to hold HTA accountable on how they've spent the money before. They spend, but I don't see the tourism growing. so what are they doing and now they want more? We've learned with the recent bailout that when dealing with this amount of money, there needs to be more stipulation made.

I oppose this bill until more stipulations are made to them in the sense of where and what are they going to spend 10 or more millions on. Are they going after the same tourism? What are they doing different that will create more jobs? Just to say they are going to make a difference doesn't mean they are.

More info please otherwise I say no.

Thank you,
Marie Villa

Senator Clarence Nishihara, Chair
Senator Brickwood Galuteria, Vice Chair
Committee on Tourism



HEARING Thursday, March 19, 2009
 2:45 pm
 Conference Room 229
 State Capitol, Honolulu, Hawaii 96813

RE: **HB1204, HD2, Relating to Tourism**

Chair Nishihara, Vice Chair Galuteria, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

RMH supports HB1204, HD2, which requires, for fiscal year 2009-2010 and fiscal year 2010-2011 only, an additional distribution of not more than unspecified amount of transient accommodations tax revenues to the tourism special fund.

Tourism numbers are declining, both in arrivals (down 10.8% in 2008) and, more importantly, in spending (down 9.9%). The results of these declines are obvious: our tourism retailers continue to experience double-digit decreases in sales. Most that had expansion plans in the works have canceled them; some have just shut their doors. Layoffs and declines in job growth are an unfortunate consequence.

It is imperative that Hawaii INCREASE marketing outreach in order to regain marketshare and remain top of mind for travelers. While we do understand the fiscal needs of the state, we are convinced that increased marketing funding is an investment in our economy that will benefit not only retail, but also accommodations, attractions, and restaurants, and keep residents employed. The plus for the state is additional GET revenue deposited into the general fund.

We respectfully request that you pass HB1204, HD2 with an amendment (SD1) to return the original amount of funding to \$10,000,000 and the original effective date to July 1, 2009. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

LATE

**SENATE COMMITTEE ON TOURISM
TESTIMONY REGARDING HB 1204 HD 2
RELATING TO TOURISM**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: MARCH 19, 2009
TIME: 2:45PM
ROOM: 229

This bill amends section 237D-6.5(b) by requiring that certain transient accommodations tax revenue be deposited in the tourism special fund rather than the general fund.

The Department of Taxation ("Department") **opposes this bill because of its implications on the general fund.**

The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue collections, this measure would add to the budget shortfall.

The revenue loss to the general fund is indeterminate due to the blank amounts.

LATE

THE SENATE
25th LEGISLATURE
REGULAR SESSION of 2009

COMMITTEE ON TOURISM
Senator Clarence Nishihara, Chair

3/19/09
2:45 PM

HB 1204, HD 2
Relating to Tourism

Chair Nishihara and members of this Committee,

My name is Max Sword, here on behalf of Outrigger Hotels, to offer our support of this bill.

HB 1204 proposes to distribute additional funds into the tourism special funds, which we believe is needed for extra marketing efforts in the current campaign to boost tourism Statewide.

The proposed sunset dates will provide sufficient funds during that period or time, we believe, to provide the needed funds for the marketing effort.

Mahalo for allowing me to testify and we urge the passage of this bill.



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LATE

**TESTIMONY OF JERRY GIBSON
AREA VICE PRESIDENT, HILTON HAWAII
March 19, 2009
RE: HB 1204 HD2 Relating to the Tourism**

Good afternoon Senator Hochuli and Senator Salazar, and members of the Committee on Tourism. Thank you for holding this hearing and allowing the members of the visitor industry to submit testimony to you.

Our Hilton Hawaii portfolio spans four islands: Oahu, Maui, Kauai and the Big Island and represents more than 7,000 hotel guest rooms and timeshare units. Our Hilton Hawaiian Village is the largest hotel in Hawaii with its 3,540 hotel and timeshare units.

Hilton Hawaii strongly supports HB 1204 HD2 Relating to Tourism. This bill would temporarily increase the amount of Transient Accommodations Tax (TAT) revenue going to the Hawaii Tourism Authority (HTA).

In the years since the TAT was introduced, the residents of the State of Hawaii have benefited from the millions of dollars that the fund has provided. Unfortunately, as the occupancy levels have severely declined, so has the revenue generated from TAT. The downturn has necessitated even more marketing dollars to be spent to attract visitors to Hawaii. Additional funds are needed to provide HTA contractors the assets needed to market our product. We need to be visible in the marketplace.

The U.S. is being faced with the worst economic downturn since the Great Depression. The only way Hawaii can recover is to regain our health in the visitor industry.

We urge you to support this bill and amend the effective date to July 1, 2009 or sooner.

Mahalo,



Jerry Gibson
Area Vice President, Hilton Hawaii