

**HB 1204**

WRITTEN ONLY

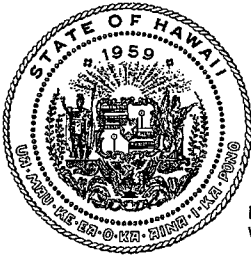
TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 1204, H.D. 2, S.D. 1

April 3, 2009

RELATING TO TOURISM

House Bill No. 1204, H.D. 2, S.D. 1, 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.



# Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākāua Avenue, Honolulu, Hawai'i 96815  
Website: [www.hawaiitourismauthority.org](http://www.hawaiitourismauthority.org)

LINDA LINGLE  
Governor

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Testimony of  
**Lloyd I. Unebasami**  
Interim President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**H.B. 1204, H.D.2, S.D. 1**  
**Relating to Tourism**

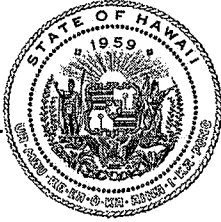
Senate Committee on Ways and Means  
Friday, April 3, 2009  
9:45 a.m.  
Conference Room 211

The Hawai'i Tourism Authority (HTA) strongly supports H.B. 1204, H.D. 2, S.D. 1, 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 Hawai'i 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, S.D. 1 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 sustain jobs and bring in tax revenues to state and county governments. Equally important are the 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 and urge its passage. Thank you for the opportunity to testify on this measure.



## TOURISM LIAISON

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LINDA LINGLE  
GOVERNOR  
MARSHA WIENERT  
TOURISM LIAISON

Written statement of  
**MARSHA WIENERT**  
Tourism Liaison  
Department of Business, Economic Development & Tourism  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Friday, April 3, 2009  
9:45 a.m.  
State Capitol, Conference Room 211

in consideration of  
**HB 1204 HD2 SD1**  
**RELATING TO TOURISM.**

Chair Kim, Vice Chair Tsutsui and Members of the Senate Committee on Ways and Means.

The Department of Business, Economic Development and Tourism supports the intent of HB 1204 HD2 SD1, 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 SD1.



**Testimony to the Senate Committee on Ways and Means  
Conference Room 211, State Capitol  
Friday, April 3, 2009; 9:45 a.m.**

**RE: HOUSE BILL NO. 1204, HD2, SD1**

Chair Kim, Vice Chair Lee, and Members of the Committee:

The Chamber of Commerce of Hawaii supports HB 1204 HD2 SD1, relating to Tourism.

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 SD1 and urges the committee's support of this measure.

Thank you for the opportunity to provide written comments.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Additional revenue for tourism special fund

BILL NUMBER: HB 1204, SD-1

INTRODUCED BY: House Committee on Tourism

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, 2010

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 4/1/09