

SB 1226 – Relating to the Tourism Special Fund

Reduces the per cent of transient accommodations tax that is deposited into the tourism special fund from 34.2 per cent to 32.6 per cent.



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Statement of
MARSHA WIENERT
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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 1226
RELATING TO THE TOURISM SPECIAL FUND.

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 1226, as it reduces the percentage of transient accommodations tax (TAT) that is deposited into the tourism special fund from 34.2% to 32.6%.

We appreciate that the Senate is considering all sources of revenue to balance the state's budget, however, we are concerned that by reducing the amount of TAT that is deposited into the tourism special fund, it could impact critical marketing programs and hinder revenue generation for our economy.

The tourism special fund and tourism marketing should be considered as investments in jobs and tax revenue and any decrease in those funds, especially now, could negatively impact the economy.

Due to our concern, we humbly request that SB 1226 be held.

Thank you for the opportunity to comment on this bill.



Hawai'i Tourism Authority

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LLOYD I. UNEBASAMI
Interim President and
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Testimony of
Lloyd Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 1226
Relating to the Tourism Special Fund

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. 1226, which proposes to lower the percentage of transient accommodations tax (TAT) revenues deposited into the Tourism Special Fund.

In 2005, the percentage of TAT revenues deposited into the Tourism Special Fund was increased from 32.6 percent to 34.2 percent to enable the HTA funding to more fully implement the goals and objectives in its recently adopted Hawai'i Tourism Strategic Plan: 2005-2015 (TSP). Since that time, the additional resources have been used by the HTA to provide greater support to the following TSP strategic initiatives: Access (e.g. airline co-op programs), Communications & Outreach, Hawaiian Culture, Natural Resources, Research & Planning, Safety & Security, Tourism Product Development, and Workforce Development. Reducing the percentage of TAT revenues deposited into the Tourism Special Fund will seriously affect the HTA's ability to adequately support these initiatives.

While the HTA would prefer to restore the Tourism Special Fund percentage to its original level of 37.9 percent, the current level of 34.2 percent should be maintained to allow the HTA to carry out its program under the current economic conditions.

Thank you for the opportunity to offer these comments.

TAXBILLSERVICE

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SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition of revenue

BILL NUMBER: SB 1226

INTRODUCED BY: Nishihara, English, Hooser, Tsutsui, and 3 Democrats

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(2) to reduce the percentage of revenues deposited into the tourism special fund from 34.2.6% to 32.6%.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: The legislature by Act 156, SLH 1998, increased the transient accommodations tax rate to 7.25% effective January 1, 1999. It should be remembered that the TAT rate was increased as a means of covering the debt service for the convention center and to provide a dependable stream of funding for the visitor industry. The deal that was struck designated 37.9% of the TAT collections to be put into the promotion fund (tourism special fund).

The legislature by Act 250, SLH 2002, established a TAT trust fund into which 5.3% of all TAT collections were to be deposited. The Act also limited the amount of revenue in the convention center enterprise special fund to \$31,000,000 and reduced the amount earmarked for the tourism special fund from 37.9% to 32.6%. It also provided that when revenues in the tourism special fund exceeded \$62,292,000, any excess in that amount was to be transferred to the general fund.

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 reduce the amount deposited into the tourism special fund from 34.2% to 32.6%. The percentage change in the amounts deposited into the tourism special fund 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.

Since any funds in excess of those specifically earmarked under this section of the TAT law accrue the general fund, this measure amounts to nothing more than a raid of TAT revenues to shore up the general

SB 1226 - Continued

fund in this time of shrinking revenues. This is not the commitment made by the 1998 legislature when it raised the TAT rate to its current level. Given the importance of the visitor industry to Hawaii's economy, all possible resources should be made available for the purpose of promoting the industry and attracting visitors to Hawaii.

As a footnote, lawmakers should review all of the directives they have adopted about the proceeds of the TAT as to how they are to be used. This amounts to nothing more than micro-managing what should otherwise be an autonomous operation so long as the convention center authority and tourism authority meet the state outcomes.

Digested 2/3/09



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**TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAI'I HOTEL & LODGING ASSOCIATION**

February 5, 2009

RE: SB 1226 Relating to the Tourism Special Fund

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

The Hawai'i 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 Hawai'i Hotel & Lodging Association opposes SB 1226 Relating to the Tourism Special Fund. We oppose the proposed reduction of the Transient Accommodations Tax ("TAT") funds going to the Tourism Fund of the Hawaii Tourism Authority ("HTA").

When the HTA was created in 1998, 37.9% of the TAT was dedicated to the Tourism Fund. This percentage was agreed upon when the industry agreed to an increase in the TAT in order to fund the HTA. We strongly oppose this further reduction in the funds.

In recent years as tourism has prospered and the TAT revenue increased, the HTA has been able to increase the funding to the activities included in its 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 on marketing to help stimulate our economic recovery. Reducing the TAT funds going to the HTA would compound the problems already being created by falling TAT revenue caused by the slowdown in visitor arrivals.

We urge you not to reduce the percentage of TAT going into the HTA because it would have a negative impact on Hawaii's economic recovery.

Mahalo again for this opportunity to testify,

THE SENATE
25th LEGISLATURE
REGULAR SESSION of 2009

COMMITTEE ON TOURISM
Senator Clarence Nishihara, Chair

2/5/09
2:45 PM

SB 1226
Relating to Tourism Special Fund

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

In yesterday morning's Honolulu Advertiser, the headline was very telling in where the tourism industry is today. The indicator of course was the hotel occupancy rate, which is not the only indicator, but the most telling in that tourist coming to Hawaii was at all time lows.

Unless someone has a magic solution on how to turn things around, the only option we see that we have at our disposal now, is to continue or increase the dollars available for marketing.

This bill proposes to decrease the funds available for that effort, which we believe is a mistake.

We urge that you hold this bill.

Mahalo for allowing me to testify.