

LINDA LINGLE  
Governor

MIKE MCCARTNEY  
President and  
Chief Executive Officer

# Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
Website: [www.hawaii-tourism-authority.org](http://www.hawaii-tourism-authority.org)

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

Testimony of  
**Mike McCartney**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. 1272, S.D. 1, H.D. 1**  
**Relating to Taxation**

House Committee on Finance  
Monday, March 29, 2010  
6:00 p.m.  
Conference Room 308

The Hawai'i Tourism Authority (HTA) strongly opposes S.B. 1272, S.D. 1, H.D. 1, which proposes to allocate transient accommodations tax revenues in to the Pest Inspection, Quarantine, and Eradication Fund.

The allocation of TAT funds to state parks and trails was made by the Legislature, citing the nexus between the visitor industry and Hawaii's natural resource areas. The intent of the Legislature in making the allocation was to provide for the maintenance and enhancement of these visitor-impacted facilities that make up a significant part of Hawaii experience that bring people to our State. TAT funding of parks and trails are needed to improve facilities that were designed and build decades ago to handle a few dozen visitors but are not overwhelmed by thousands of people every day.

HTA's *Tourism Strategic Plan: 2005 – 2015*, provides the strategic directions and specific goals and identifies specific actions to carry out the mission and purpose of the HTA for the growth and development of Hawaii's visitor industry. As such, one of the goals of the Tourism Strategic Plan is to "respect, enhance and perpetuate Hawaii's natural resources to ensure a high level of satisfaction for residents and visitors." The preservation of our natural resources are a very important of part of the Plan. With the limited resources that we have to dedicate to the improvement of visitor-impacted natural resources, parks and trails, the efficiency and effectiveness of our programs will be seriously impacted by the diversion of funds for pest inspection and quarantine.

The crisis in the global economy and highly competitive tourism market, with aggressive marketing by Mexico, Caribbean and Asian destinations, require Hawaii to maintain and improve our visitor industry product. Dedicating resources to the developing and maintaining of products, such as our parks and trails are vital to maintaining our competitive posture.

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."

The Legislature passed S.B. 1066, enacted as Act 9, Special Session of 2007, establishing a fee for inspection, quarantine, and eradication of invasive species of \$1 for each 20-foot container equivalent. In 2008, the Legislature passed H.B. 2843, which became Act 3, Special Session of 2008, amended the "fee for the inspection, quarantine, and eradication of invasive species" 50 cents for every one thousand pounds of freight brought into the state. 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.

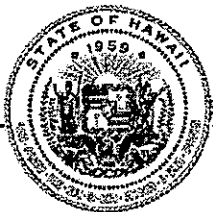
If the purpose of S.B. 1272, is to increase the funding of the Pest Inspection, Quarantine, and Eradication Fund, the HTA suggests that Section 150A-5.3 be amended to increase the fee on the commodities with the highest risk for importation of alien species.

Section 37-52.3, HRS, which establishes the criteria for the continuance of special funds, directs the Legislature to ensure that the special fund “[r]eflects a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program, *as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process and demonstrates the capacity to be financially self-sustaining.*”

Please allow us to carry out the strategies and goals of the Tourism Strategic Plan, which are vital for the recovery of Hawaii’s visitor industry, which is the major source of revenue in our community through visitor expenditures and tourism-related capital investment. The further diversion of TAT funds will be a distraction from achieving our mission.

For these reasons, we strongly oppose S.B. 1272, S.D. 1, H.D. 1.

Thank you for the opportunity to offer these comments.



## TOURISM LIAISON

Hawai'i State Capitol, Office of the Governor, 4<sup>th</sup> Floor  
Honolulu, Hawai'i 96813

LINDA LINGLE  
GOVERNOR  
MARSHA WIENERT  
TOURISM LIAISON

Telephone: (808) 586-2362  
Fax: (808) 586-0019

Statement of  
**MARSHA WIENERT**  
Tourism Liaison  
Office of the Governor  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Monday, March 29, 2010  
6:00 p.m.  
State Capitol, Conference Room 308

in consideration of  
**SB 1272 SD1 HD1**  
**RELATING TO TAXATION.**

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

SB 1272 SD1 HD1 amends the transient accommodations tax to require that the first amount of tax revenues 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. **We oppose this measure.**

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.

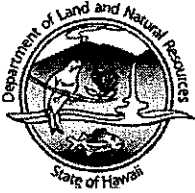
While we believe that it is important to protect our environment and that there is a need for further pest inspections, we have concerns with continuing to utilize the tourism special fund for purposes other than marketing, especially now—when the visitor industry is struggling to stay alive, many of our residents are unemployed and our economy is worse than it has been in a very long time.

Diverting tourism special funds away from marketing at this critical period is not in the best interest of the people of Hawai'i and our economy.

Therefore, we respectfully request that this bill be held.

Thank you for the opportunity to comment on SB 1272 SD1 HD1.

LINDA LINGLE  
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
LAURA H. THIELEN  
Chairperson**

**Before the House Committee on  
FINANCE**

**Monday, March 29, 2010  
6:00 PM  
State Capitol, Conference Room 308**

**In consideration of  
SENATE BILL 1272, SENATE DRAFT 1, HOUSE DRAFT 1  
RELATING TO TAXATION**

Senate Bill 1272, Senate Draft 1, House Draft 1 would amend the Transient Accommodations Tax (TAT) to require that an unspecified amount 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 current percentage amounts deposited into the State Parks Special Fund and Special Land and Development Fund. The Department defers to the Hawaii Tourism Authority on impacts this bill will have on their program, and the Department of Budget and Finance on impacts this bill 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.

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  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

# TAXBILLSERVICE

126 Queen Street, Suite 304

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, HD-1

**INTRODUCED BY:** House Committees on Tourism, Culture, & International Affairs and Agriculture

**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 \$\_\_\_\_\_ 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, 2020

**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 \$\_\_\_\_ 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 - 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 as proposed by this measure, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for this specific program, that not only benefits the visitors but the community at large, is an abdication on the part of the legislature to set priorities among general fund resources and is an indication that the legislature truly does not believe this is an important enough issue to set aside state appropriations to address this issue. Advocates for this program should be just as concerned. Although it would seem that earmarking a portion of the TAT would assure funding for this program, the question should be, "will it be enough?" As is the current situation with declining occupancies, will there be sufficient revenues to fund this program let alone visitor promotion and paying off the convention center debt? This measure allows lawmakers to use general funds for other programs as they have "taken care" pest inspection, quarantine, and eradication of pest programs with these earmarked funds.

Digested 3/29/10



**HAWAII HOTEL & LODGING  
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506  
Honolulu, HI 96815  
Phone: (808) 923-0407  
Fax: (808) 924-3843  
E-Mail: [hha@hawaiihotels.org](mailto:hha@hawaiihotels.org)  
Website: [www.hawaiihotels.org](http://www.hawaiihotels.org)



32<sup>nd</sup> Anniversary  
Are You Walking???  
May 15, 2010  
(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**

**March 29, 2010**

**RE: SB 1272 SD1 HD1 Relating to Taxation**

Good evening Chairman Oshiro and members of the House Committee on Finance. 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 150 hotels representing over 48,000 rooms. Our hotel members range from the 2,680 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association opposes SB 1272 SD1 HD1 Relating to Taxation. This bill would earmark some of the funds currently going 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. It is especially critical for the HTA to have maximum funds available for marketing. The diversion of funds will hinder Hawaii's recovery from the current economic crisis. Increased visitor arrivals and spending are essential for an improvement in Hawaii's economy and the resulting tax revenue.

We urge you not to divert these funds from the HTA. Mahalo again for this opportunity to testify.