

# Hawai'i Tourism Authority

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

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Testimony of  
**Mike McCartney**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. 1186, S.D.1**  
**Relating to the Transient Accommodations Tax**

**LATE**

Senate Committee on Ways and Means  
Tuesday, March 1, 2011  
9:20 a.m.  
Conference Room 211

The Hawai'i Tourism Authority (HTA) offers the following comments on two proposals in S.B. 1186, S.D.1, which:

- Caps the TAT revenues deposited into the Tourism Special Fund at \$69 million per year; and
- Requires that \$20 million per year of the TAT revenues deposited into the general fund be used for environmental protection, improvements to public facilities impacted by visitors, and advancing Hawaiian culture and the arts.

### Capping Deposits into the Tourism Special Fund

Capping the deposits of TAT revenues into the Tourism Special Fund at \$69 million per fiscal year will allow the HTA to, at least, maintain its marketing programs and other strategies of our Tourism Strategic Plan at the 2010 levels of expenditure.

### Funding for Environmental Protection, Visitor Impacted Facilities, and Hawaiian Culture and Arts

Among the product development goals of the HTA are the expanding, enriching, and diversifying of Hawaii's tourism product by perpetuating and preserving Hawaii's host culture, improving and protecting Hawaii's natural environment and facilities impacted by visitors. To accomplish this HTA established a Natural Resources Advisory Group to assist and advise HTA in its natural resources program. HTA also formed the Hawaiian Cultural Program Advisory Council (HCPAC) of Hawaiian community and visitor industry representatives, and cultural practitioners to address the Hawaiian culture initiatives of the Tourism Strategic Plan.

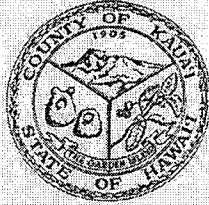
We propose that SECTION 2 of S.B. 1186, S.D.1, be amended to amend subsection (b) to make it clear that the \$20 million for environmental protection, visitor impacted facilities, and Hawaiian culture and arts be expended according to a master plan developed in coordination with the HTA. This is similar to language inserted by the Legislature in section 184-3.4 to require that TAT revenues deposited into the State Parks Special be expended according to a master plan developed in coordination with the HTA.

The proposed amendment would read:

"(b) Revenues collected under this chapter, except for revenues collected under section 237D-2(b), shall be distributed as follows, with the excess revenues to be deposited into the general fund[?]; provided that of the excess revenues deposited into the general fund, \$20,000,000 per fiscal year shall be used for environmental protection, improvements to public facilities impacted by visitors, and advancing Hawaiian culture and the arts *according to a master plan developed in coordination with the Hawaii Tourism Authority: ...*"

Thank you for the opportunity to provide these comments.

**Bernard P. Carvalho, Jr.**  
Mayor



**Gary K. Heu**  
Managing Director

**LATE**

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Testimony of the  
**County of Kaua'i**  
Bernard P. Carvalho, Jr., Mayor  
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Before a Hearing of the  
**Senate Ways and Means Committee**  
Tuesday, March 1, 2011  
9:20 a.m.  
State Capitol  
Conference Room 211

**Senate Bill 1186 SD1, Relating To The Transient Accommodations Tax**

Thank you for allowing this opportunity to convey my reservations on the implications of SB No. 1186 SD 1 as proposed which preserves the distribution of transient accommodation tax (TAT) revenues to the counties but places a fixed dollar cap on the total amount of TAT funds that would be distributed to the counties.

While SB No. 1186 SD 1 as proposed limits the amount of TAT revenues distributed to the counties, we appreciate the fact that the bill does not fully deprive the counties of this critical revenue source.

The transient accommodations tax (TAT) was established in 1986 under Act 304, Session Laws of Hawai'i and imposed a five per cent (5%) tax on the gross revenues derived from the furnishing of transient accommodations.

In 1990, the Legislature recognized that "...many of the burdens imposed by tourism fall on the counties" and noted that increased pressures of the visitor

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industry meant greater demands on county services, such as "...providing, maintaining, and upgrading police and fire protection, parks, beaches, water, roads, sewage systems, and other tourism related infrastructure." (House Journal 1990; Conference Committee Report No. 207)

For this reason, Act 185, Session Laws of Hawaii 1990, provided that 95% of the TAT revenues be distributed to the counties as follows: 44.1 per cent to the City and County of Honolulu, 22.8 per cent to the County of Maui, 18.6 per cent to the County of Hawaii, and 14.5 per cent to the County of Kauai and the remaining 5%, was to be retained by the State to cover the administrative costs of assessment, collection, and disposition of the revenues.

Although the TAT rate and distribution formula have been revised at various times over the past twenty years, the basic underlying intent of the law has always remained constant -- to support and improve the quality of Hawai'i's tourism product and infrastructure.

Since taking office, my Administration has taken a very conservative approach to the County's financial management and will continue to do so until this economic storm passes. In this current fiscal year, we made a conscious effort to reduce our budget and closely manage our expenses to avoid reducing services. The challenge was especially difficult since we concurrently experienced a 10.2% reduction in real property tax revenues. Recently, with the support of the County Council, we have even been able to eliminate 2-day furloughs for our employees. All of this would not have been possible had we not been able to retain our share of the TAT.

We all serve a common constituency -- residents of Kaua'i are also residents of the State of Hawai'i. Any action by the Legislature to cap or reduce TAT funding and/or transfer State services to the Counties will not solve the problem. It will merely shift the burden of responsibility from one governmental entity to another while the impacts and negative consequences on our visitors and residents ultimately remain unresolved.

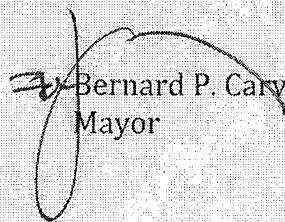
We ask that you acknowledge the role county governments have in supporting tourists and our visitor industry. County governments maintain the public safety services, water and sewer infrastructure, roads, transportation, parks, and public facilities that support and benefit the visitor industry. Capping the TAT funding would have a direct impact on the very industry that generates the hotel room tax revenues.

We are now at a cross-road in time. Because of the difficult economic conditions, the Legislature is considering capping the Counties share of the TAT and

is looking at the possibility of using these funds to balance the State's existing budgetary shortfall.

We fully recognize and empathize with the State's budgetary challenges. We also face and must continue to deal with many of our own revenue shortfalls at the county level. For this reason, I humbly ask that you consider working closely with the counties and keep open lines of communication that fosters productive dialogue and decision making prior to adopting any measure intended to limit the counties fair share to the TAT.

Sincerely,



Bernard P. Carvalho, Jr.  
Mayor

**LATE**

**STARWOOD**

HOTELS & RESORTS WORLDWIDE, INC.

Late Testimony

March 1, 2011

TO: Honorable David Ige, Chair  
Senate Committee on Ways and Means

FR: Keith Vieira, Senior Vice President of Operations  
Starwood Hotels and Resorts, Hawaii and French Polynesia

RE: SB 1186 SD1 – Relating to the Transient Accommodations Tax -  
Oppose  
WAM Committee – March 1, 2011, Conference Room 211, 9:20 AM

Aloha Chair Ige and members of the Committee:

My name is Keith Vieira, senior vice president of operations for Starwood Hotels and Resorts in Hawai'i and in French Polynesia. Thank you for the opportunity to testify on **SB 1186 SD1, Relating to the Transient Accommodations Tax.**

Our hotels in Hawai'i compete with vacation destinations worldwide, complementary and budget-priced rooms are marketed for various reasons from promotions to reach travel writers and visitor industry marketers to providing affordable "stay-cations" for our kama'āina, and for local business travelers.

Complementary rooms are used by the hospitality industry to attract meeting planners to bring events to the state, to educate and encourage travel opportunities for book Hawai'i vacations for clients, and to give travel writers the opportunity to publish and produce stories about Hawai'i as a meeting and vacation destination. Complementary rooms are also often used by the state to attract film crews to the islands.

Our concern is that the imposition of any new taxes and fees on the visitor industry would not result in the generation of more revenues for the state as intended and may have perverse consequences by causing a visitor to choose another less costly destination than Hawai'i.

A minimum TAT will disproportionately impact our kama'āina, rates and would increase costs to hotels and to the state for complementary rooms.

For these reasons, we respectfully register our opposition to this bill and request that your committee defer any action on this matter.

