

NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

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Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 1285
Relating to the Transient Accommodations Tax

House Committee on Tourism
House Committee on Economic Revitalization & Business
Monday, February 7, 2011
9:30 a.m.
Conference Room 312

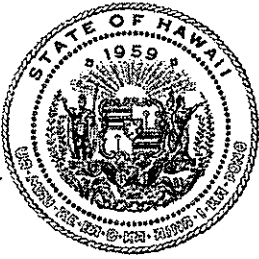
The Hawai'i Tourism Authority (HTA) offers the following comments on H.B. 1285, which proposes to allocate four percent of the transient accommodations tax (TAT) revenues deposited into the general fund up to \$12,000,000, for the Department of Business, Economic Development and Tourism (DBEDT) operating budget.

H.B. 1285 creates an exception the statutory processes that are in place for the budget and allotment of funds. The Hawaii Constitution requires the governor to submit an appropriation bill that provides for the anticipated total expenditures of the State for the fiscal biennium. The Legislature authorizes the expenditures from the general fund by law making appropriations stipulating amounts, manner and purpose of the various expenditures. The governor and director of finance are granted the power of supervising the allotting funds "...with due regard to changing conditions" and to promote the economic and efficient management of state departments.

H.B. 1285 allocates four percent of TAT revenues deposited into the general fund to be expended for the DBEDT operating budget. This conflicts with the Legislature's authority to determine the amount of appropriations and the purpose of authorized expenditures. The moneys would still have to be allotted as provided by law, which requires the department to submit an estimate to the director of finance of the amount required to carry on the work of the department for an allotment to be made.

In 2009, the TAT was temporarily increased to replace record shortfalls in the State budget and help maintain services to Hawaii residents. You have to determine if allotting funds to DBEDT in this manner is consistent with that purpose.

Thank you for the opportunity to provide these comments.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

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Statement of
RICHARD C. LIM
Interim Director

Department of Business, Economic Development, and Tourism
before the

**HOUSE COMMITTEES ON TOURISM AND
ECONOMIC REVITALIZATION & BUSINESS**

Monday, February 7, 2011
9:30 a.m.

State Capitol, Conference Room 312

in consideration of
HB 1285

RELATING TO THE TRANSIENT ACCOMODATIONS TAX.

Chair Brower, Chair McKelvey, Vice Chair Tokioka, Vice Chair Choy, and members of the Committee. DBEDT supports the intent of HB1285 to allocate a portion of the transient accommodations tax into the general funds to DBEDT for the department's operations. We respectfully offer the following comments:

DBEDT's general fund budget level for its core Divisions including the Office of Planning, went from \$8.8 million in pre-RIF fiscal year 2009 to currently \$4.5 million (FY 2011), which reflects 49% decrease.

We estimate that the funds that could be set aside for DBEDT as a result of this bill, based on the TAT collections for 2010, would amount to \$700,000.

We appreciate the Committee's efforts to provide DBEDT with a dedicated source of funding which will enable us to engage in more long term planning, which is crucial to economic development.

Thank you for the opportunity to present this testimony.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



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HOUSE COMMITTEE ON TOURISM AND ECONOMIC REVITALIZATION & BUSINESS

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1285 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
 TAXATION (OR DESIGNEE)
COMMITTEE: TOU-ERB
DATE: FEBRUARY 7, 2011
TIME: 9:30AM

POSITION: CONCERNS WITH REVENUE LOSS

This measure earmarks a certain amount of the Transient Accommodations Tax (TAT) for the Department of Business, Economic Development & Tourism (DBEDT).

The Department of Taxation (Department) cites this measure's general fund loss.

This measure will result in general fund revenue losses of up to \$4.5 million in FY 2011, and \$9 million in future years up to \$12 million.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON TOURISM AND ECONOMIC
REVITALIZATION & BUSINESS
ON
HOUSE BILL NO. 1285

February 7, 2011

RELATING TO TRANSIENT ACCOMMODATIONS TAX

The transient accommodations tax (TAT) is currently distributed as follows: 17.3% to the convention center enterprise special fund; 34.2% to the tourism special fund; 44.8% to the counties; and the remaining 3.7% is deposited into the general fund.

House Bill No. 1285 earmarks 4.0% of the remaining 3.7% in TAT revenues currently deposited into the general fund which would be approximately \$470,000 (based on a projection of \$315 million in total TAT revenues to be collected in fiscal year 2012 for the Department of Business, Economic Development and Tourism's operating budget provided that the allocation does not exceed \$12,000,000, in which case any moneys in excess of the \$12,000,000 will be deposited into the general fund.

As a matter of general policy, the Department of Budget and Finance opposes earmarking of general fund revenues for specific purposes. It is noted that a significant portion of Department of Business, Economic Development and Tourism's operating budget is already funded by \$5.2 million in general funds and

\$141 million in special funds from the tourism special fund and the Convention Center Enterprise special fund. The earmarking of general funds is at odds with the State's Executive Budget process during which various programs are recommended for funding based on merit and the availability of resources. This earmark would add additional general funds to Department of Business, Economic Development and Tourism's budget regardless of the State's other funding requirements and priorities. Without the earmarked TAT revenues that would normally be deposited into the general fund, the State may have to cut other programs to ensure that the State is operating within a balanced budget.