



NEIL ABERCROMBIE
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.hawaiitourismauthority.org

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

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 2314
Relating to the Transient Accommodations Tax

House Committee on Tourism
Monday, February 13, 2012
9:15 a.m.
Conference Room 312

The Hawai'i Tourism Authority (HTA) strongly supports H.B. 2314, which provides for the allocation of transient accommodations tax (TAT) revenues into the Convention Center Enterprise Special Fund on a fiscal year basis.

Since the establishment of limits on the deposits into the Convention Center Enterprise Special Fund (CCESF), the Fund has occasionally been under funded during a fiscal year.

The TAT law provides for 17.3 percent of the TAT revenues to be deposited into the CCESF, not to exceed \$33 million in any calendar year. The Department of Budget and Finance deposits 17.3 percent of the TAT collected into the CCESF and halts deposits when \$33 million is reached in the calendar year. This has resulted in a shortfall of funds during certain fiscal years. For example;

Calendar Year 2008		Fiscal Year 2008-2009	
January	3,249,660	July	3,262,062
February	4,117,689	August	3,044,114
March	3,350,415	September	4,011,601
April	3,490,525	October	2,479,072
May	2,883,544	November	0
June	3,111,319	December	0
July	3,262,062	January	2,398,055
August	3,044,114	February	2,972,193
September	4,011,601	March	3,642,051
October	2,479,072	April	3,209,900
November	0	May	2,582,108
December	0	June	2,900,206
Calendar Year	33,000,000	Fiscal Year	30,663,126

This resulted in a funding for FY 2008-2009 being \$30,663,126, because deposits for the calendar year 2008 reached the \$33 million limit in October.

Further, moving to a fiscal year basis will align the timing of funding with HCC's operations budget.

Aligning the timing of funding with a fiscal year will allow for a true picture of the CCESF's unencumbered reserve balance. Currently, any "unencumbered reserve" balance at June 30 does not represent a true reserve. Rather, the unencumbered reserve balance at June 30 generally represents funds that was collected early in the year, but that must be saved for the funding of operations later in the year when funding ceases (October, November and December). By December, the unencumbered reserve balance diminishes significantly for this reason. If the unencumbered reserve balance at June 30 was treated similar to a true reserve and the funds were spent early in the fiscal year, a great likelihood would exist that the Convention Center would not have the ability to operate in the last quarter of the calendar year. Under the current arrangement of funding, the CCESF reserve is not an accurate picture of the reserve.

Each year, based on its June 30 balance, it appears as if the CCESF maintains a large reserve that could mislead policy makers and users of the financial statements into the belief that the CCESF maintains a significant amount of funds in excess of expenditures. To avoid such a misperception, we recommend the mechanism to provide for a true financial picture at fiscal year-end.

H.B. 2314 will correct the above-noted issues. If H.B. 2314 is approved, funding for the CCESF will be consistent with that of the Tourism Special Fund.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Tom Brower, Chair
and Members of the House Committee on Tourism

Date: February 13, 2012

Time: 9:15 a.m.

Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2314 Relating to Transient Accommodations Tax

The Department of Taxation supports H.B. 2314 and provides the following comments for the Committee's consideration.

H.B. 2314 changes the allocation of transient accommodations tax revenues to the convention center enterprise special fund from a calendar year basis to a fiscal year basis. It provides for a monthly allocation to the convention center enterprise special fund. This bill will take effect on July 1, 2012.

Currently, the Department of Budget and Finance deposits an amount equal to 17.3% of the revenues collected under Chapter 237D, except for revenues collected under section 237D-2(b), into the convention center enterprise special fund on a monthly basis.

For consistency in Chapter 237D-6.5, we suggest the following language for Section 2 of H.B. 2314:

SECTION 2. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) *[Repeal and reenactment on June 30, 2015. L 2009, c 61, §4; L 2011, c 103, §4.]* 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:

- (1) 17.3 per cent of the revenues collected under this chapter shall be deposited into the convention center enterprise special fund established under section 201B-8; provided that beginning January 1, 2002, if the amount of the revenue collected under this paragraph exceeds \$33,000,000 in any [~~calendar~~] fiscal year, revenues collected in excess of \$33,000,000 shall be deposited into the general fund;..."

Thank you for the opportunity to provide comments.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON TOURISM
ON
HOUSE BILL NO. 2314

February 13, 2012

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

House Bill No. 2314 proposes to allocate the Transient Accommodations Tax (TAT) revenues to the Convention Center Enterprise Special Fund on a fiscal year rather than on a calendar year basis which is the current method.

The Department of Budget and Finance has no objections to this revision. Based on our analysis, the impact of this measure is revenue neutral, but we do note that timing of monthly collected revenue going to the Convention Center Enterprise Special Fund and the general fund will change within the fiscal year.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Distribution to convention center enterprise special fund

BILL NUMBER: SB 2114; HB 2314 (Identical)

INTRODUCED BY: SB by Kim; HB by Brower, Awana, Keith-Agaran, C. Lee, McKelvey, Mizuno, Nishimoto, Takumi, Tokioka

BRIEF SUMMARY: Amends HRS section 237D-6.5 to provide that distributions of the transient accommodations tax (TAT) to the convention center enterprise special fund shall be made on a fiscal year basis rather than on a calendar year basis.

The amendments made to HRS section 237D-6.5(b) by this measure shall not be repealed on June 30, 2015 when that section is repealed and reenacted by Act 61, SLH 2009, and Act 103, SLH 2011.

EFFECTIVE DATE: July 1, 2012

STAFF COMMENTS: Currently TAT revenues are distributed to the convention center enterprise special fund on a calendar year basis while expenditures from the fund are made on a fiscal year basis. Since the special fund has a limit of \$33 million, once the special fund reaches \$33 million no additional funds can be deposited into the fund until the next calendar year, which currently results in a shortfall. This measure would provide that the distribution of TAT revenues shall be on a fiscal year basis in alignment with the payment of expenditures and the rest of the state's financial year.

Digested 2/10/12