

# SB2114

Measure Title: RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

Report Title: Transient Accommodations Tax; Convention Center Enterprise Special Fund

Description: Provides for the allocation of transient accommodations tax revenues to the convention center enterprise special fund on a fiscal year basis.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON TOURISM  
ON  
SENATE BILL NO. 2114

February 2, 2012

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Senate Bill No. 2114 proposes to allocate the Transient Accommodations Tax 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 is supportive of this revision but does provide the following information on the context and impact this measure will have on the general fund. Presently, Section 237D-6.5, HRS, allocates 17.3 percent of the Transient Accommodations Tax to the Convention Center Enterprise Special Fund, up to a maximum of \$33,000,000; revenues collected in excess of the \$33,000,000 are deposited to the general fund. In past years, the \$33,000,000 maximum has been reached after about ten months, which results in the general fund receiving the 17.3 percent Transient Accommodations Tax allocation for the remaining two months of the calendar year.

Under this bill, the \$33,000,000 maximum allocation will shift from the calendar year to the fiscal year, effective July 1, 2012. Thus, the Convention Center Enterprise Special Fund will receive the 17.3 percent Transient Accommodations Tax allocation for the first six months of Calendar Year 2012, from January 1, 2012 to June 30, 2012. Then, with the \$33,000,000 resetting to the 2013 fiscal year, beginning July 1, 2012, the Convention Center Enterprise Special

Fund will continue to receive the 17.3 percent Transient Accommodations Tax allocation for the remaining six months of the calendar year from July 1, 2012 to December 31, 2012.

Although it appears the general fund will realize Transient Accommodations Tax losses in November and December of 2012, these amounts will be collected by the general fund in May and June of 2013. Overall, this bill will initially delay general fund collections of the excess Transient Accommodations Tax, but these amounts will be collected in full by the end of the subsequent fiscal year. Thus, if the change is made, there will not be a negative impact to the general fund on a fiscal year basis.

NEIL ABERGROMBIE  
GOVERNOR

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To: The Honorable Donna Mercado Kim, Chair  
and Members of the Senate Committee on Tourism

Date: February 2, 2012

Time: 1:15 p.m.

Place: Room 224

From: Frederick D. Pablo, Director  
Department of Taxation

**Re: S.B. 2114 Relating to Transient Accommodations Tax**

The Department of Taxation supports SB 2114 and provides the following comments for the Committee's consideration.

S.B. 2114 changes the allocation of transient accommodations tax revenue 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 SB 2114:

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 [~~ealendar~~] 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.



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  
**S.B. 2114**  
**Relating to Transient Accommodations Tax**

Senate Committee on Tourism  
Thursday, February 2, 2012  
1:15 p.m.  
Conference Room 224

The Hawai'i Tourism Authority (HTA) strongly supports S.B. 2114, 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.

S.B. 2144 will correct the above-noted issues. If S.B. 2144 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.