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SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition to international travel programs

BILL NUMBER: SB 490, SD-2

INTRODUCED BY: Senate Committee on Tourism

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, 2012 and ending on June 30, 2015, \$71,000,000 instead of \$69,000,000 shall be deposited into the tourism special fund provided that \$2,000,000 shall be expended for the development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii.

EFFECTIVE DATE: July 1, 2012

STAFF COMMENTS: The proposed measure would increase the allocation of TAT revenues to the tourism special fund between July 1, 2012 and June 30, 2015 from \$69 million to \$71 million and provide that \$2 million shall be used for the development and implementation of initiatives to increase international travel and tourism to Hawaii. While the proposed measure would provide an automatic funding mechanism for such initiatives, it is questionable whether the amount diverted would be sufficient or insufficient for the intended purposes. Funds would be provided without legislative scrutiny or approval. If it is the intent of the legislature to fund such initiatives, a direct appropriation would be more appropriate. More importantly, by earmarking funds that are designated originally for tourism promotion and visitor industry research, funds for that particular area are reduced, curtailing the ability to respond appropriately to needs and market changes. It should be remembered that funds for this program area were siphoned off to provide funding for the state parks fund and the special land and development fund for the Hawaii statewide trail and access program.

Rather than perpetuating the diversion of TAT revenues, lawmakers should replace the siphons from the tourism special fund with appropriations if they deem such other programs of importance. This would make lawmakers more accountable for their actions. What should be noted here is exactly what was predicted when the legislature began setting up special funds with carve-outs from existing revenue streams. Because these funds are earmarked for specific purposes, they become targets to tack on seemingly related program expenditures either because they are of lesser priority and could not garner support for funding out of the general fund or would meet with lesser resistance as the funds are already earmarked and out of the reach of lawmakers to be utilized for other unrelated activities.

Digested 2/22/12