

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 490, S.D. 3

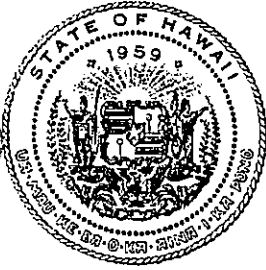
April 4, 2012

RELATING TO THE HAWAII TOURISM AUTHORITY

Senate Bill No. 490, S.D. 3, increases the allocation of the Transient Accommodation Tax revenue for the Hawaii Tourism Authority (HTA) from \$69 million to \$71 million and requires that \$2 million be expended on programs and initiatives to increase travel opportunities for international visitors to Hawaii.

The Department of Budget and Finance appreciates the intent of the bill to promote economic development and expand Hawaii's tourism economy by targeting international markets with an additional \$2 million allocation. We defer to the HTA regarding the merits of this expenditure.

While we recognize the benefit the additional \$2 million allocation could provide to the HTA in the planned objective, we note that the \$2 million funding would come at the expense of the general fund. Although there are positive aspects of the economy being projected, until these materialize, there are still significant financial issues such as unfunded liabilities and the strengthening of reserves that need to be addressed. The department encourages the Legislature to evaluate each request for the impact on the general fund to accommodate this bill.



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. 490, S.D. 3
Relating to the Hawai'i Tourism Authority

House Committee on Tourism
Monday, March 12, 2012
9:30 p.m.
Conference Room 312

The Hawai'i Tourism Authority (HTA) strongly supports S.B. 490, S.D. 3, which raises the allocation of transient accommodations tax revenues to the Tourism Special Fund and directs the HTA to take advantage of federal initiatives to expand visa programs and increase international travel and tourism to Hawai'i.

The Travel Promotion Act of 2009, was enacted to encourage public-private partnerships to promote international travel to the United States. The recent announcement by President Obama and the initiatives of the federal government to make it easier for international travelers to Hawai'i through improved visa processing and visa waivers will be highly beneficial to Hawai'i's tourism economy and advance efforts to help provide up to an estimated 154,000 jobs.

S.B. 490, increases the allocation to the Tourism Special Fund by \$2 million to HTA for the development and implementation of programs to take advantage of the expanded visa programs and international travel opportunities, particularly from Asia, as a result of initiatives of the federal government.

We strongly support S.B. 490, S.D. 3, and request amending the effective date of the measure to July 1, 2012.

Thank you for the opportunity to offer these comments.



HAWAII TOURISM AUTHORITY

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Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer

March 13, 2012

The Honorable Marcus Oshiro, Chair
Senate Finance Committee
Hawaii State Capitol
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Dear Representative Oshiro,

RE: HTA International Marketing Efforts Relating to SB 490

Aloha and thank you for your continued support of our efforts on behalf of Hawaii's tourism industry. In this letter, we outline our supporting information with respect to SB 490 Relating to the Hawaii Tourism Authority (HTA).

SB 490

SB 490 increases the allocation of the transient accommodation tax revenue for the HTA from \$69,000,000 to \$71,000,000 until June 30, 2015 to be expended for development and implementation of initiatives to take advantage of expanded visa programs and increased travel visitors to Hawaii. In sum, the HTA would utilize these funds to achieve the following projections as detailed in the table below.

- Generate an incremental **\$163 million** in annual visitor spending (in CY 2013, that would be \$163 million in addition to the \$14.2 billion targeted for that year)
- Support an additional **1,877 jobs** for Hawaii residents
- Generate an additional **\$17.8 million** in state tax revenue for Hawaii

Projected Economic Impact (Source: Hawaii Tourism Authority, March 2012)

2013	China	Korea	Japan	Oceania	South East Asia	Europe	Total International
Incremental Arrivals	20,000	15,000	25,000	10,000	5,000	2,000	77,000
PPPD	\$362.5	\$268.6	\$301.1	\$220.0	\$396.3	\$181.3	
LOS	6.0	7.5	6.0	10.1	8.8	13.0	
Direct Visitor Expenditures \$million	\$43.5	\$30.2	\$45.2	\$22.2	\$17.4	\$4.7	\$163.3
Output multiplier (2005 I/O model)	1.68	1.68	1.68	1.68	1.68	1.68	
Sales generated (direct, indirect, and induced) \$million	\$73.1	\$50.8	\$75.9	\$37.3	\$29.3	\$7.9	\$274.3
Income multiplier (2005 I/Q model)	0.48	0.48	0.48	0.48	0.48	0.48	
Household income generated (direct, indirect, and induced) \$million	\$20.9	\$14.5	\$21.7	\$10.7	\$8.4	\$2.3	\$78.4
W&S Job multiplier (2005 I/O model)	11.5	11.5	11.5	11.5	11.5	11.5	
Number of jobs supported 1/ (direct, indirect, and induced) jobs	500	347	519	256	201	54	1,877
State tax multiplier (2005 I/O model)	0.109	0.109	0.109	0.109	0.109	0.109	
State government tax revenue generated (direct, indirect, and induced) \$million	\$4.7	\$3.3	\$4.9	\$2.4	\$1.9	\$0.5	\$17.8

Based on HTA 2013 targets.

Initiatives are planned by International Market area to take advantage of respective opportunities and to generate the highest return on investment of state tax dollars.

International Market - China

Key Objective: To be in position to capitalize on VISA waiver progress and improvements. Initiatives would focus on building awareness for the Hawaiian Islands and its experiential offerings among key tour operators as well increased support for existing and new airlift service.

Budget: \$550,000

Key Outcomes: Increased flight frequency and generate 20,000 incremental visitor arrivals.

International Market - Korea

Key Objective: To take advantage of Hawai'i's competitive position by further increasing consumer awareness and airlift. Efforts would focus on expanding wholesaler co-op programs and continuing to work closely with existing and new airline carriers with plans to enter the Hawai'i market.

Budget: \$400,000

Key Outcomes: Secure international service to Kona and generate 15,000 incremental visitor arrivals.

International Market - Japan

Key Objective: To supplement and further increase regional airlift with both charter and expanded air service. Additional support for tour operators, increased co-op marketing funding, including specific support for an airline to add direct service to Hawai'i Island (to replace the previous JAL- Kona flight) to sustain Hawai'i's second international port of entry are planned.

Budget: \$575,000

Key Outcomes: Increase the amount of regional origination points; new Kona flight would generate 25,000 incremental visitor arrivals.

International Market - Oceania

Key Objective: To revitalize Brisbane and Auckland air service routes. Co-op support for tour operators, especially those operators best positioned to maximize the potential of new service from either and or Brisbane and Melbourne areas, as well as funding to support additional air service out of Auckland is planned.

Budget: \$225,000

Key Outcomes: Return service out from Brisbane and well as increase air service out of Sydney to generate 10,000 incremental visitor arrivals.

International Market - Southeast Asia

Key Objective: Build momentum for access and expansion into Southeast Asia. Efforts will focus on cultivating relationships with air carriers servicing either Hong Kong or Singapore and exploring opportunities for expansion into the Hawai'i market.

Budget: \$150,000

Key Outcomes: Initiate start up service from this region in 2013 and generate 5,000 incremental visitor arrivals.

International Market - Europe

Key Objective: To improve access options and stimulate growth for increased travel from Europe. Potential programs include support for carriers considering direct service to Hawai'i.

Budget: \$100,000

Key Outcomes: Initiate start up direct service and generate 2,000 incremental visitor arrivals.

If you have any additional questions, please don't hesitate to contact me or email Momi Akimseu at makimseu@hawaiiitourismauthority.org at any time.

With Respect and Aloha,



Mike McCartney
President and CEO

SB490 SD3

Measure Title: RELATING TO THE HAWAII TOURISM AUTHORITY.
 Report Title: Hawaii Tourism Authority
 Description: Increases the allocation of the transient accommodations tax revenue for the Hawaii tourism authority from \$69,000,000 to \$71,000,000 until 06/30/2015; requires \$2,000,000 to be expended for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii. Effective 07/01/2050. (SD3)
 Companion:
 Package: None
 Current Referral: TOU/INT, FIN
 Introducer(s): GALUTERIA

Sort by Date	Status	Text
1/21/2011	S	Introduced.
1/24/2011	S	Passed First Reading.
1/24/2011	S	Referred to TSM.
12/1/2011	D	Carried over to 2012 Regular Session.
2/3/2012	S	The committee(s) on TSM will hold a public decision making on 02-07-12 1:20PM in conference room 224.
2/7/2012	S	The committee(s) on TSM recommend(s) that the measure be PASSED, WITH AMENDMENTS and be recommitted. The votes in TSM were as follows: 5 Aye(s); Senator(s) Kim, Kouchi, Galuteria, Kahele, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.
2/9/2012	S	Reported from TSM (Stand. Com. Rep. No. 2073) as amended (SD 1), with recommendation of recommitment to TSM.
2/9/2012	S	Report adopted, as amended (SD 1) and recommitted to TSM.
2/9/2012	S	Re-Referred to TSM, WAM.
2/9/2012	S	The committee(s) on TSM has scheduled a public hearing on 02-14-12 1:25PM in conference room 224.
2/14/2012	S	The committee(s) on TSM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in TSM were as follows: 5 Aye(s); Senator(s) Kim, Kouchi, Galuteria, Kahele, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.
2/16/2012	S	Reported from TSM (Stand. Com. Rep. No. 2250) with recommendation of passage on Second Reading, as amended (SD 2) and referral to WAM.
2/16/2012	S	Report adopted; Passed Second Reading, as amended (SD 2) and referred to WAM.
2/22/2012	S	The committee(s) on WAM will hold a public decision making on 02-24-12 9:00AM in conference room 211.
2/24/2012	S	The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 14 Aye(s); Senator(s) Ige, Kidani, Chun Oakland, Dela Cruz, English, Fukunaga, Kahele, Kim, Kouchi, Ryan, Tokuda, Wakai, Slom; Aye(s) with reservations: Senator(s) Espero ; 0 No(es): none; and 0 Excused: none.
3/2/2012	S	Reported from WAM (Stand. Com. Rep. No. 2598) with recommendation of passage on Third Reading, as amended (SD 3).
3/2/2012	S	48 Hrs. Notice 03-06-12.
3/6/2012	S	Report adopted; Passed Third Reading, as amended (SD 3). Ayes, 25; Aye(s) with reservations: none . Noes, 0 (none). Excused, 0 (none). Transmitted to House.
3/6/2012	H	Received from Senate (Sen. Com. No. 43) in amended form (SD 3).
3/8/2012	H	Pass First Reading
3/8/2012	H	Referred to TOU/INT, FIN, referral sheet 41
3/8/2012	H	Bill scheduled to be heard by TOU/INT on Monday, 03-12-12 9:30AM in House conference room 312.

3/12/2012	H	The committees on TOU recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 9 Ayes: Representative(s) Brower, Tokioka, Awana, Choy, Evans, Hashem, McKelvey, Tsuji, Ching; Ayes with reservations: none; Noes: none; and 2 Excused: Representative(s) Nishimoto, Marumoto.
3/12/2012	H	The committees on INT recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 9 Ayes: Representative(s) Awana, Hashem, Brower, Choy, Evans, McKelvey, Tokioka, Tsuji, Ward; Ayes with reservations: none; Noes: none; and 2 Excused: Representative(s) Nishimoto, Marumoto.
3/14/2012	H	Reported from TOU/INT (Stand. Com. Rep. No. 983-12), recommending passage on Second Reading and referral to FIN.
3/14/2012	H	Passed Second Reading and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Herkes-excused (1).

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

SB490 SD3

STAND. COM. REP. NO. 983-12Honolulu, Hawaii
, 2012RE: S.B. No. 490
S.D. 3

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committees on Tourism and International Affairs, to which
was referred S.B. No. 490, S.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII TOURISM AUTHORITY,"

beg leave to report as follows:

The purpose of this measure is to provide funding for three years
at \$2,000,000 per year to develop and implement initiatives that take
advantage of expanded visa programs to increase travel opportunities
for international visitors who wish to visit Hawaii.

The Hawaii Tourism Authority, Outrigger Enterprises Group,
Starwood Vacation Ownership, Airlines Committee of Hawaii, Retail
Merchants of Hawaii, ILWU Local 142, and Kohala Coast Resort
Association testified in support of this measure. The Department of
Budget and Finance and Tax Foundation of Hawaii provided comments.

As affirmed by the records of votes of the members of your
Committees on Tourism and International Affairs that are attached to
this report, your Committees are in accord with the intent and purpose
of S.B. No. 490, S.D. 3, and recommend that it pass Second Reading and
be referred to the Committee on Finance.

Respectfully submitted on behalf
of the members of the Committees
on Tourism and International
Affairs,

KAREN L. AWANA, Chair

TOM BROWER, Chair

THE SENATE
TWENTY-SIXTH LEGISLATURE, 2011
STATE OF HAWAII

S.B. NO. 490
S.D. 3

A BILL FOR AN ACT

RELATING TO THE HAWAII TOURISM AUTHORITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. On January 19, 2012, President Obama signed an executive order and announced new initiatives to significantly increase travel and tourism in the United States. According to the United States Department of Commerce, international travel resulted in \$134,000,000,000 in United States exports in 2010 and is the nation's largest service export industry, constituting seven per cent of total exports and twenty-four per cent of service exports. The federal Bureau of Economic Analysis estimates that every additional sixty-five international visitors to the United States can generate enough exports to support one additional travel and tourism-related job. According to the travel industry and Bureau of Economic Analysis, international travel is particularly important because overseas travelers spend on average \$4,000 on each visit.

The legislature finds that these initiatives to increase travel and tourism in the United States will be highly beneficial to Hawaii's ~~tourism economy and advance efforts to help provide up to an estimated~~ 154,000 jobs in Hawaii. With 2.4 million international visitors arriving in Hawaii each year, Honolulu is the fifth busiest United States point-of-entry. The executive order will ease access for

international travelers - a boon for Hawaii with its proximity to the growing Asia market. China in particular is an emerging market for Hawaii's tourism industry, with unprecedented growth potential. Visitor arrivals from China to Hawaii are expected to reach 125,394 in 2012, up twenty-eight per cent over 2011, with each visitor expected to spend \$380 per day while in the State, higher than any other market. The initiatives to increase the number of Chinese visas processed, and ensuring that visa applicants are interviewed within three weeks, are significant milestones for Chinese tourism to the United States and Hawaii.

In addition, visa waiver status for Taiwan has tremendous potential for the State's tourism industry. Following the visa waiver program with Korea in 2008, arrivals from Korea increased thirty-five per cent, and similar growth is anticipated with Taiwanese visitors.

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

"(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:

(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 year, revenues collected in excess of \$33,000,000 shall be deposited into the general fund;

(2) 34.2 per cent of the revenues collected under this chapter shall be deposited into the tourism special fund established under section 201B-11 for tourism promotion and visitor industry research; ~~provided that for any period beginning on July 1, [2011,] 2012, and ending on June 30, 2015, no more than [\$69,000,000] \$71,000,000 per fiscal year shall be deposited into the tourism special fund established under section 201B-11; provided further that beginning on July 1, 2012, \$2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;~~ and provided further that beginning on July 1, 2002, of the first \$1,000,000 in revenues deposited:

- (A) Ninety per cent shall be deposited into the state parks special fund established in section 184-3.4; and
- (B) Ten per cent shall be deposited into the special land and development fund established in section 171-19 for the Hawaii statewide trail and access program;

provided that of the 34.2 per cent, 0.5 per cent shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; provided further that of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of \$5,000,000 in the tourism emergency trust fund; and

(3) 44.8 per cent of the revenues collected under this chapter shall be transferred as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that for any period beginning on July 1, 2011, and ending on June 30, 2015, the total amount transferred to the counties shall not exceed \$93,000,000 per fiscal year.

Revenues collected under section 237D-2(b) shall be deposited into the general fund. All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2010.

Report Title:

Hawaii Tourism Authority

Description:

Increases the allocation of the transient accommodations tax revenue for the Hawaii tourism authority from \$69,000,000 to \$71,000,000 until 06/30/2015; requires \$2,000,000 to be expended for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii. Effective 07/01/2050. (SD3)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition to international travel programs

BILL NUMBER: SB 490, SD-3

INTRODUCED BY: Senate Committee on Ways and Means

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, 2050

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 3/9/12