



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
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.

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

March 12, 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.



Representative Tom Brower, Chair
Representative James Kunane Tokioka, Vice Chair
Committee on Tourism

Representative Karen Awana, Chair
Representative Mark Hashem, Vice Chair
Committee on International Affairs

HEARING Monday, March 12, 2012
 9:30 am
 Conference Room 312
 State Capitol, Honolulu, Hawaii 96813

RE: **SB490, SD3 Relating to the Hawaii Tourism Authority**

Chairs Brower and Awana, Vice Chairs Tokioka and Hashem, and Members of the Committees:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing about 200 members and over 2,000 storefronts, and is committed to supporting the retail industry and business in general in Hawaii.

RMH strongly supports SB490, SD3, which 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.

For over three years now, the retail industry has been developing and implementing training programs to address a projected arrival of visitors from China and other Asian nations. The announcement that the 2011 APEC Summit was to be held in Honolulu created great excitement and expectation.

The reality is that the anticipated level of retail activity from APEC did not materialize. However, a survey of the RMH retail members revealed the unanimous consensus that APEC was a very positive investment in our future, a showcase for business travel as well holiday destinations for the attendees who might not have considered either.

We are encouraged that the recent signing by President Barack Obama of the Executive Order establishing "Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness" and initiatives in Congress will help increase travel and tourism to Hawaii. Greater investment by the Hawaii Tourism Authority clearly will be money well-spent.

We respectfully request that you pass SB490, SD3. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

The Twenty-Sixth Legislature
Regular Session of 2012

HOUSE OF REPRESENTATIVES

Committee on Tourism

Rep. Tom Brower, Chair

Rep. James Kunane Tokioka, Vice Chair

Committee on International Affairs

Rep. Karen L. Awana, Chair

Rep. Mark J. Hashem, Vice Chair

State Capitol, Conference Room 312
Monday, March 12, 2012; 9:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 490, SD3
RELATING TO THE HAWAII TOURISM AUTHORITY**

The ILWU supports S.B. 490, SD3, which increases the allocation of the transient accommodations tax revenue for the Hawaii Tourism Authority from \$69 million to \$71 million until June 30, 2015 and requires \$2 million 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.

The executive order recently signed by President Obama will significantly increase travel to the United States. Hawaii must take advantage of this huge potential for growth in tourism and present itself as the destination of choice for international visitors, in particular those from Asia. To do this, the Hawaii Tourism Authority will require additional funding for marketing, promotion, and other activities needed to attract visitors to Hawaii. Allocation of \$2 million for this purpose should be seen as an investment in the growth and development of Hawaii's #1 industry.

As a union representing roughly 10,000 members working in the tourism industry in Hawaii, we are well aware of the impact that more visitors will have to the industry, to our members, and to Hawaii's economy overall. While most international visitors currently spend their vacations on Oahu and in Waikiki, most ILWU members work on the neighbor islands. However, we believe that visitors will be encouraged to visit all of the islands, not just Oahu, to take advantage of the natural beauty and hospitality available throughout Hawaii.

The ILWU urges passage of S.B. 490, SD3. Thank you for the opportunity to testify on this important measure.

Kohala Coast

RESORT ASSOCIATION

Representative Tom Brower, Chair
House Committee on Tourism

Representative Karen Awana, Chair
House Committee on International Affairs

Monday, March 12, 2012; 9:30 a.m.
Hawaii State Capitol; Conference Room 312

RE: SB 490 SD3 – Relating to the Hawaii Tourism Authority – IN SUPPORT

Chairs Brower and Awana, Vice Chairs Tokioka and Hashem and Members of the Committees:

The Kohala Coast Resort Association, a destination association representing the resorts and hotels located on the Kohala Coast of the Island of Hawai'i, supports increasing the allocation of the transient accommodations tax revenue for the Hawaii Tourism Authority from \$69,000,000 to \$71,000,000 until June 30, 2015 and the requirement that the monies (\$2,000,000) be expended for development and implementation of initiatives that will take advantage of the recently expanded visa programs.

Tourism continues to be the largest generator of jobs in the state and on the Island of Hawai'i. This appropriation will allow the HTA to support new initiatives for increased travel and tourism to Hawai'i and further establish the Hawaiian Islands as a global destination.

The resort association members appreciate the intent of this bill and support the subsequent passage of SB490, SD3.

Mahalo nui loa,

Sharon Sakai
Administrative Director

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