

# **SB 490 SD 1**

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 June 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. (SD1)

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON TOURISM  
ON  
SENATE BILL NO. 490, S.D. 1

February 14, 2012

RELATING TO THE HAWAII TOURISM AUTHORITY

Senate Bill No. 490, S.D. 1, 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. The current fiscal and financial plan reflects revenue projections and general fund expenditures based on the most recent Council on Revenues advisement (January 2012). The fiscal plan does project negative ending balances in the general fund beginning as soon as FY 13 and peaking in-excess of negative \$225 million in FY 16. The department encourages the Legislature to evaluate and plan 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. 1**  
**Relating to the Hawaii Tourism Authority**

Senate Committee on Tourism  
Tuesday, February 14, 2012  
1:25 p.m.  
Conference Room 224

The Hawai'i Tourism Authority (HTA) **strongly supports** S.B. 490, S.D.1, 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 Hawaii.

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, S.D. 1, 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. 1, and appreciate the committee's leadership in helping us to improve Hawai'i's opportunity in Asia.

Thank you for the opportunity to offer these comments.

# Kohala Coast

RESORT ASSOCIATION

February 10, 2012

Senator Donna Mercado Kim  
Chair, Committee on Tourism  
Senate District 14  
Hawaii State Capitol, Room 210  
Honolulu, HI 96813

**RE: Senate Bill 490, SD1 – An Appropriation for the Hawaii Tourism Authority**

Aloha Chair Kim, Vice Chair Kouchi and members of the committee,

The Kohala Coast Resort Association supports the intent of this bill. As a destination association representing the resorts and hotels located on the Kohala Coast of the Island of Hawai'i, we support 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, SD1.

Thank you for the opportunity to testify on this bill.

Mahalo nui loa,



Sharon Sakai  
Administrative Director

The Twenty-Sixth Legislature  
Regular Session of 2012

THE SENATE

Committee on Tourism

Senator Donna Mercado Kim, Chair

Senator Ronald D. Kouchi, Vice Chair

State Capitol, Conference Room 224

Tuesday, February 14, 2012; 1:25 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 490, SD1  
RELATING TO THE HAWAII TOURISM AUTHORITY**

The ILWU supports S.B. 490, SD1, which increased 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 needs to present itself as the destination of choice for international visitors, in particular those from Asia. The Hawaii Tourism Authority must take advantage of the huge potential for growth in tourism to Hawaii but will require additional funding for the marketing, promotion, and other activities needed to attract visitors to Hawaii.

As a union representing roughly 10,000 members working in the tourism industry in Hawaii, we are well aware of the impact 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 of our 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, SD1. Thank you for the opportunity to testify on this important measure.

## AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport  
300 Rodgers Blvd., #62  
Honolulu, Hawaii 96819-1832  
Phone (808) 838-0011  
Fax (808) 838-0231

February 14, 2012

Honorable Donna Mercado Kim, Chair  
Honorable Ronald D. Kouchi, Vice Chair  
Senate Committee on Tourism  
State Capitol, Honolulu, Hawaii 96813

RE: **SB490 SD1, Relating to the Hawaii Tourism Authority - SUPPORT**  
Conference Room 224 - 1:25 pm

Aloha Chair Kim, Vice Chair Kouchi, and Members of the Committee:

The Airlines Committee of Hawaii\* (ACH), which is made up of 20 signatory air carriers that underwrite the State Airport System supports SB490 SD1 – Making an Allocation for the Hawaii Tourism Authority (HTA).

ACH supports the allocation of \$2 million for HTA initiatives to leverage expanded visa programs and increased travel opportunities for international visitors to Hawaii.

For several years now, the airline industry has supported the increase of arrival of visitors from Asia and the Pacific. In the first quarter of this year, air seats to Hawaii are expected to rise 3.8% in first quarter of this year fueled by capacity increases from the U.S. West, Japan, Canada, Oceania, China and South Korea markets:

- Scheduled air seats from Japan expected to increase 5.2%, driven upwards by an 18.1 % increase in seats from the Tokyo-Haneda route and a 62.4 % increase in seats from Osaka;
- Seat capacity from Canada is expected to rise 28.2 %;
- A new Fukuoka service was added by Hawaiian Airlines and Delta Airlines;
- Asiana Airlines service and increased service by Hawaiian Airlines and Korean Air expected to grow seat capacity on the Incheon-Honolulu route by 41.8 %; and

- Brisbane-Honolulu and Melbourne-Honolulu routes will add 18 new flights/month and service to Sydney will group 40.4%

Coupled with the recent Executive Order 13597, Establishing Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness, ACH supports this bill which allocates additional funds to HTA is a positive step toward building the continued success of Hawaii's visitor industry.

As always, we are grateful for the opportunity to provide input on this matter.

Sincerely,

Blaine Miyasato  
ACH Co-chair

Matthew Shelby  
ACH Co-chair

*\*ACH members are Air Canada, Air New Zealand, Air Pacific, Alaska Airlines, All Nippon Airways, American Airlines, China Airlines, Continental Airlines, Delta Air Lines, Federal Express, go! Mokulele, Hawaiian Airlines, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, US Airways, and Westjet.*

starwood

Hotels and  
Resorts

2155 kalakaua avenue, suite 300  
honolulu, hi 96815

united states

Honorable Donna Mercado Kim, Chair  
Honorable Ronald D. Kouchi, Vice Chair

Senate Committee on Tourism  
State Capitol, Honolulu, Hawaii 96813

RE: **SB490 SD1, Relating to the Hawaii Tourism Authority - SUPPORT**  
Conference Room 224, Tuesday, February 14, 2012, 1:25 pm

Aloha Chair Kim, Vice Chair Kouchi, and Members of the Committee

On behalf of Starwood Vacation Ownership ("Starwood"), mahalo for the opportunity to offer testimony in support of SB490 SD1, which allocates \$2 million for the Hawaii Tourism Authority for fiscal year 2012-2013 for initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii.

On January 19, 2012, President Obama signed Executive Order to Establish Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness. This policy recognizes that the travel and tourism industry is one of our nation's leading service sectors and sources of exports.

Recognition of the need to set clear goals and standards that enhance visitor and business opportunities is a priority that Starwood has long supported. One only needs to take a look around to clearly see value of this industry to our state.

APEC 2011 attracted a more sophisticated group of visitors to our state, world leaders in government and business. Hawaii is well perched to take on more international business events especially from the Pacific Rim.

For these reasons, we support the committee's leadership in moving this bill forward.

Sincerely,

Keith Vieira  
Senior Vice President of Operations  
Starwood Hotels and Resorts, Hawaii and French Polynesia





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THE SENATE  
26<sup>th</sup> LEGISLATURE  
REGULAR SESSION of 2012

COMMITTEE ON TOURISM  
Senator Donna M. Kim, Chair

2/14/12  
Room 224, 1:25 PM

SB 490, SD 1  
Relating to The Hawaii Tourism Authority

Chair Kim and Members of the Tourism Committee,

My name is Max Sword, here on behalf of **Outrigger Hotels Hawaii**, in **support** of this bill.

We need to make every effort to support additional marketing funds for HTA in order to optimize Hawaii's share of the emerging and growing foreign markets that will be traveling overseas because of the implementation of the Federal government's expanded visa program.

Mahalo for your foresight in realizing that we need to take advantage of these key tourism opportunities, not only for this year, but also for next couple of years.

Your proposal to increase the HTA allocation to accommodate the cost of the marketing program for the visa waiver program over the next three years is one that Outrigger Hotels wholeheartedly supports.

Mahalo for allowing me to testify.

# 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-1

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 2/10/12