

# **HB 1259**

Makes permanent exemptions granted to the HTA from requirements for Comptroller's supervision of accounts, publication of consolidated financial statements, approval of business and accounting forms, and deposit of funds into the tourism special fund. Increases Tourism Special Fund allowance for HTA administrative expenses.



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**David Y. Ige**  
*Governor*

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*Chief Executive Officer*

Testimony of  
**Ronald Williams**  
President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**H.B. No. 1259, H.D. 1**  
**Relating to the Hawaii Tourism Authority**  
Senate Committee on Tourism and International Affairs  
Wednesday, March 18, 2015  
2:45 p.m.  
Conference Room 225

The Hawaii Tourism Authority strongly supports H.B. No. 1259, H.D.1..

H.B. 1259, H.D.1, repeals the sunset provision of Act 58, Session Laws of Hawaii of 2004. Act 58, was enacted to enhance the operational effectiveness of the Hawaii Tourism Authority (HTA). Under the Act, HTA is not able to spend the moneys without regard to transparency, controls, and accountability for funds.

Under Act 58:

- The Comptroller issues warrants for the release of funds for the operating costs of HTA in amounts, which cannot exceed the revenues received in their special funds, and at the times mutually agreed upon by the Governor, Director of Finance, and the HTA;
- HTA is required to preaudit all proposed payments to determine the propriety of expenditures and their compliance with applicable laws, executive orders, and rules in effect;
- HTA is required to make disbursements for operating expenses from the amounts released by the Comptroller; and
- HTA is required to maintain and make available to the Comptroller, those records and documents necessary to support those disbursements.

Other exemptions in Act 58, such as the exemption from requirements for publication of consolidated financial statements in section 40-4, and the approval of business and accounting forms in section 40-6, were enacted to give HTA the ability to control its accounts while holding the Authority to the same standards for the allotment, accounting, and deposits of funds.

Section 6 of Act 58, authorized the HTA to appoint a sports coordinator. The purpose of the amendment was to eliminate the long delays encountered by the HTA in trying to fill positions that have been budgeted for and for which appropriations had been made by the Legislature. The amendment was worded to acknowledge a constitutional conflict raised by the Attorney General, relating to gubernatorial oversight of funding, by clarifying that the HTA has independent appointment authority subject to the availability of state funds.

Section 7 of Act 58, provides that all interest and revenues from the projects or project agreements of the HTA are to be deposited into the Tourism Special Fund.

H.B. 1259, H.D.1, also addresses a problem caused by various legislative enactments, which amended the allocation of transient accommodations tax revenues into the Tourism Special Fund.

Under section 201B-11(c)(1), not more than 5 per cent of the amount deposited into the Tourism Special Fund may be used for administrative expenses. H.B. 1259, H.D.1, increases the amount to 6.5 per cent.

The events causing the problem include:

- The transfer of Tourism Research and Statistics functions and personnel in 2009 from DBEDT to HTA, which increased the staff of HTA by 20 percent without increasing the available funds;
- The capping of allocations into the Tourism Special Fund from 2011 – 2015 at \$69 million (Act 103, SLH 2011); if the allocation to the Tourism Special Fund was left at 34.2%, the allocation would have been \$97.3 million; and
- The capping of allocations into the Tourism Special Fund in 2013 at \$82 million; if the allocation was left at 34.2%, in 2014, the allocation would have been \$135 million.

The increase in the percentage of funds in the Tourism Special fund for administrative costs from 5 per cent to 6.5 per cent will allow the HTA to meet the anticipated rise in administrative costs.

#### HTA TSF General and Admin % Projection

	2015	2016	2017	2018	2019	2020	2021	2022
<b>TAT Allocation</b>	82,000,000	82,000,000	82,000,000	82,000,000	82,000,000	82,000,000	82,000,000	82,000,000
<b>Total TSF Admin. Costs</b>	4,040,600	4,161,818	4,286,673	4,415,273	4,547,731	4,684,163	4,824,688	4,968,428
<b>Percentage</b>	4.928%	5.075%	5.228%	5.384%	5.546%	5.712%	5.884%	6.060%

For these reasons we support H.B. 1259, H.D.1, and request that the effective date be amended to July 1, 2015.

Mahalo for the opportunity to offer these comments.