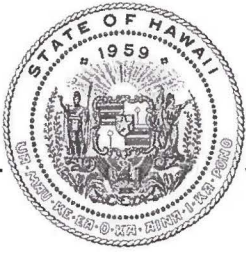


# SB 2022

Measure Title: RELATING TO TRAVEL.

Report Title: Department of Business, Economic Development, and Tourism;  
Las Vegas, Nevada; Study; Appropriation (\$)

Description: Requires DBEDT, in collaboration with UHERO, to conduct a  
cost-benefit analysis of Hawaii residents traveling to Las  
Vegas, Nevada. Appropriates funds.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**DAVID Y. IGE**  
GOVERNOR

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Statement of  
**LUIS P. SALAVERIA**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**ECONOMIC DEVELOPMENT, ENVIRONMENT, AND TECHNOLOGY**

Wednesday February 10, 2016  
1:15 P.M.  
State Capitol, Room 414

in consideration of  
**SB2022**  
**RELATING TO TRAVEL**

Chair Wakai, Vice Chair Slom, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) offers comments on SB2022, which would require DBEDT, in collaboration with the University of Hawaii Economic Research Organization (UHERO), to conduct a cost/benefit analysis of Hawaii residents traveling to Las Vegas, Nevada, for vacation and leisure activities. The study should include an estimate of the amount of money that leaves the State and an analysis of the number of jobs created and revenue generated by the need for Hawaii-based travel industry-related businesses to provide travel-related services to Hawaii residents traveling to Las Vegas, Nevada. DBEDT supports the overall intent of this bill, but would like to provide the following comments:

- Although we have data on how many residents travel to the U.S. mainland and the length of time away from Hawaii, we don't have data on where our residents traveled or their spending.
- To meet the requirements of the bill, we would need to conduct a survey of Hawaii residents on their outbound travel, including destination, length away, purpose of trip, and daily spending by category. Additionally, we may need to conduct a survey of Hawaii-based travel companies to estimate the jobs created and revenue generated from arranging travel to Las Vegas for Hawaii residents.
- The survey should cover all the counties, all income and age groups.
- The survey would cover travel that occurred in the calendar year of 2015.

- The cost of the project is estimated to be \$150,000.

Thank you for the opportunity to provide the above comments.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Written Testimony Presented Before the  
Senate Committee on Economic Development, Environment, and Technology  
Wednesday, February 10, 2016 at 1:30pm

By  
Robert Bley-Vroman, Chancellor  
And  
Dr. Carl Bonham, Executive Director  
UHERO  
University of Hawai'i at Mānoa

### SB 2022 – RELATING TO TRAVEL

Chair Wakai, Vice Chair Slom, and members of the committee:

As Executive Director of the University of Hawai'i Economic Research Organization (UHERO), and a Professor of Economics, on behalf of the University of Hawai'i, we recommend against passage of SB 2022. Our principal criticism of the bill is that its objective is unspecified and hence no policy implications can be deduced from the study it mandates.

SB 2022 appropriates funds and directs the Department of Business, Economic Development, and Tourism and UHERO to “conduct a cost/benefit analysis of Hawai'i residents traveling to Las Vegas, Nevada, for vacation and leisure activities. The study shall include an estimate of the amount of money that leaves the State and an analysis of the number of jobs created and revenue generated by the need for Hawai'i-based travel industry-related businesses to provide travel-related services to Hawai'i residents traveling to Las Vegas, Nevada.”

Cost-benefit (or, benefit-cost) analysis “is a systematic methodology for measuring the benefits and costs of government programs to the population as a whole.”<sup>1</sup> An important feature of benefit-costs analysis is the inclusion and valuation of nonmonetary benefits and costs that would be included into government decisions that may not enter into commercial/private decisions. The first step in conducting benefit-cost analysis is to identify the objective to be achieved by a government program or regulation and the different ways in which the objective can be achieved. One could, for instance, conduct a study of the benefits versus the costs (both monetary and non-monetary) of the Honolulu rail transit system to the entire population of Honolulu. One could also do a benefit-cost analysis of legalizing gambling in Hawai'i. SB 2022, in its current form, fits neither one of those two examples.

The decision by Hawai'i residents to travel to Las Vegas is a private (i.e. personal) — decision. To the Hawai'i resident traveling to Las Vegas on vacation, the personal benefit derived from the trip obviously outweighs the cost; otherwise, he/she would not go. Likewise, the decision by local travel businesses to sell travel to Las Vegas is also a private decision. If it was unprofitable to sell trips to Las Vegas, those businesses would not supply them. For both the traveler and the tour company selling trips to Las Vegas, the benefits of Las Vegas travel clearly outweigh the costs.

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<sup>1</sup> Bruce, Neil. 2001. *Public Finance and the American Economy*. Boston: Addison-Wesley Longman, Inc., p. 159.

What, then, is the underlying objective of this bill? One interpretation is that if, somehow, we are able to keep some of the money Hawai'i residents spend on Las Vegas trips at home (the benefit), how many Hawai'i jobs and business profit will be lost by tour companies currently selling trips to Las Vegas (the cost)? If this interpretation is correct, what government policy/policies might induce fewer Hawai'i residents to travel to Las Vegas? Since we cannot legally ban residents from traveling to Las Vegas, and we cannot impose discriminatory tax policy to discourage such trips, maybe the policy option is to legalize casino gambling in Hawai'i. That is, if Hawai'i residents can gamble in Hawai'i, they might take fewer trips to Las Vegas and spend their money in Hawai'i instead of in Las Vegas. Is that a valid assumption?

Determining how much money Hawai'i residents currently spend on trips to Las Vegas – as required under SB 2022 – cannot tell us how much money could be retained in Hawai'i if casino (and/or other forms of) gambling was legalized. The Las Vegas Visitor Profile Study for calendar year 2014 issued by the Las Vegas Convention and Visitors Authority notes that only 12% of the 41+ million visitors to Las Vegas visited primarily to gamble. Repeat visitors were significantly more likely (14%) than first-time visitors (4%) to say that the primary reason for their trip was to gamble. Nearly half cite "vacation or pleasure" as the primary purpose of their current visit.<sup>2</sup>

The assumption that legalizing casino gambling in Hawai'i might induce fewer Hawai'i residents to travel to Las Vegas may be incorrect. The 2014 Las Vegas Visitor Profile Study also asked all visitors the following question:

"Now that there are more places to gamble outside of Las Vegas, do you feel you are more likely or less likely to visit Las Vegas, or does it not make a difference in your decision to visit Las Vegas?"

One-quarter (25%) said that they were either somewhat or much more likely to visit Las Vegas. Three-quarters (75%) said that having other places to gamble made no difference in their decision to visit Las Vegas. One percent (1%) said they were less likely to visit Las Vegas.

In sum, we do not know what the objective of SB 2022 is. Hence, we cannot determine if the study mandated by the bill will help to achieve the unspecified objective. Under reasonable assumptions about the intent of the bill, we find that such a study is unlikely to generate a reliable estimate of the costs or benefits of legalizing casino gambling in Hawai'i.

Thank you for allowing UHERO to testify on SB 2022.

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<sup>2</sup> [http://www.lvcva.com/includes/content/images/media/docs/2014-Las\\_Vegas\\_Visitor\\_Profile.pdf](http://www.lvcva.com/includes/content/images/media/docs/2014-Las_Vegas_Visitor_Profile.pdf)