



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM AND
TECHNOLOGY**
Wednesday, March 21, 2018
1:30 p.m.
State Capitol, Conference Room 414
in consideration of
**HB2010, HD1, Proposed SD1
RELATING TO TOURISM.**

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

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on HB2010, HD1, Proposed SD1, on Section 3 of the proposed SD1, which would redistribute the transient accommodations tax (TAT) revenues from the Hawaii Tourism Authority (HTA) to different state agencies.

DBEDT's mission is to support Hawaii's economy, therefore DBEDT has strong concerns about the reduction of funding from HTA's visitor marketing funds.

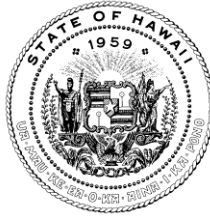
There is an untested assumption underlying this proposed redistribution of visitor marketing funds: that Hawaii's share of the global tourism expenditures will remain at the same level with less marketing dollars. If that proves to be wrong, many of Hawaii's small local businesses that rely on visitors may lose business.

The TAT has become an important source of revenue for the General Fund and programs, such as education, that depend on the General Fund for support. A number of bills are being considered that increase TAT revenues. The potential additional revenue will be jeopardized, if the number of visitors decreases with substantially less marketing dollars.

We appreciate the need for additional funds for maintenance of State parks, and the important needs of other departments, including DBEDT's other programs. However, this substantial reduction of the visitor marketing funds could have negative impacts on Hawaii's economy and the State budget.

Thank you for the opportunity to provide these comments.

DAVID Y. IGE
GOVERNOR OF
HAWAII



SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the Senate Committee on
ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY

Wednesday, March 21, 2018

1:30 PM

State Capitol, Conference Room 414

In consideration of
HOUSE BILL 2010, HOUSE DRAFT 1, PROPOSED SENATE DRAFT 1
RELATING TO TOURISM

House Bill 2010, House Draft 1, Proposed Senate Draft 1 proposes to: (1) Rename the Convention Center Enterprise Special Fund as the Convention Center Operations and Maintenance Special Fund, repeal the allocation of the Transient Accommodation Tax (TAT) revenues to that fund, amend the allowable uses of that fund, and adds a cap to the amount of moneys deposited into the fund; (2) Define administrative expenses as used in Section 201B-11(c), Hawaii Revised Statutes (HRS), as office equipment, salaries, and supplies; (3) Cap the amount of money from the Tourism Special Fund that can be used for research and sports marketing expenses; (4) Redistribute TAT revenue from the Hawaii Tourism Authority to different state agencies for certain purposes; and (5) Authorize the Department of Budget and Finance to cancel the reimbursement general obligation bond deb relating to the Convention Center that is owed by the Hawaii Tourism Authority. **The Department of Land and Natural Resources' (Department) testimony is limited to the proposed paragraph (9) to Section 237D-6.5(b), HRS, in SECTION 3 of the measure. The Department supports this proposed amendment, provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request.**

The Department maintains strong support for measures that recognize the need to allocate revenue derived from the robust visitor industry toward offsetting associated impacts to natural and cultural resources and the divisions and programs that manage and must mitigate these impacts.

The funds applied would offset the direct impacts of the tourism industry on specific Department programs, divisions, resources and infrastructure that is increasing the need for enforcement,

contracted lifeguards, parks management, trail maintenance, ocean recreation safety programs, and aquatic resources protection.

Thank you for the opportunity to comment on this measure.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Economic Development, Tourism, and Technology
March 21, 2018 at 1:30 p.m.

By
Kalbert K. Young
Vice President for Budget and Finance/CFO
University of Hawai'i System

HB 2010 HD1 Proposed SD1 – RELATING TO TOURISM

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

Thank you for the opportunity to submit testimony on the proposed SD1 for HB 2010 HD1. This proposed draft renames the convention center enterprise special fund as the convention center operations and maintenance special fund, repeals the allocation of TAT revenues to that fund, amends the allowable uses of that fund, and caps the amount of moneys deposited into the fund. It also redistributes transient accommodations tax revenue from the Hawai'i Tourism Authority to different state agencies, including the University of Hawai'i.

The University of Hawai'i appreciates the bill authors' recognition that UH is a major contributor promoting Hawai'i in the areas of education, educational exchange, athletics, intellectual property, etc. While the University would appreciate and could use additional funding, we are also very cognizant about limited state funding resources for all agencies.

Thank you for the opportunity to testify on HB 2010 HD1 Proposed SD1.

HB-2010-HD-1

Submitted on: 3/18/2018 3:07:23 PM

Testimony for ETT on 3/21/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Foster	Testifying for Hawaii Advocates For Consumer Rights	Support	No

Comments:

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Redistribute Funds

BILL NUMBER: HB 2010, Proposed SD-1

INTRODUCED BY: Senate Committee on Economic Development, Tourism, and Technology

EXECUTIVE SUMMARY: Forgives the debt owed to the State by the Hawaii Tourism Authority for the convention center construction costs and related interest, which is okay because the bond debt has been paid off and the State's right hand is now paying its left.

After amendment by this bill, the section of the Transient Accommodations Tax Law dealing with earmarks covers 11 pages and looks like an appropriations bill. Earmarks to the TAT clearly have gotten out of hand. This needs to go through the appropriations process, which easily can cover the same ground.

SYNOPSIS: Part I amends section 201B-8, HRS, to rename the convention center enterprise special fund as the convention center operations and maintenance special fund. The TAT earmark that feeds it is taken away, and the bill provides that any money over \$6 million in it will go to the general fund. Salaries for convention center personnel are to be paid out of this fund.

Amends section 201B-11, HRS, to put caps on the tourism special fund:

- \$2.8 million for administrative expenses, defined to be office equipment, salaries, and supplies.
- \$49.2 million for marketing expenses.
- \$2.5 million for research expenses.
- \$5.8 million for sports marketing expenses.

Amends section 237D-6.5, HRS, to change the TAT earmarks to:

1. \$1.5 million to Turtle Bay conservation easement special fund (same as before)
2. [Deleted \$26.5 million earmark to convention center enterprise special fund]
3. \$60.3 million to the tourism special fund (down from \$82 million)
4. \$103 million to the counties (same as before)
5. \$3 million to the special land and development fund (same as before, except that the monies need not be expended in accordance with the HTA strategic plan)
6. \$16.5 million to DBEDT (new)
7. \$3.5 million to DOE, which is required to administer a grant program to allow schools to apply for grants related to hospitality and tourism industry (new)
8. \$7.891 million to the University of Hawaii for programs relating to a hospitality and tourism industry career pathway
9. \$3 million to University of Hawaii athletics, for student athlete travel

10. \$9.6 million to DLNR to address the impact of tourism on the natural resources of the State and to support efforts to manage, improve, and protect Hawaii's natural environment and areas frequented by tourists
11. \$8 million to the counties (\$2 million per county) to ensure the safety of visitors to county parks and beaches
12. \$8 million on grants to include but not be limited to Hawaiian cultural initiatives, product development, community programs, and tourism-related grants

Part II makes conforming amendments.

Part III allows the Department of Budget and Finance to cancel the debt owed to the State by the Hawaii Tourism Authority, approximately \$176.8 million.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: As with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether too little or too much revenue has been diverted from other priorities in the state budget.

If the legislature deems the programs and purposes funded by this special fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers would have to evaluate the real or actual needs of each program.

In this bill the above problem is especially acute. The earmarking section of the TAT law, as amended by the bill, is over 11 pages long, going into deep detail when it comes to allocating money to DLNR. The directions now contained in the earmarking section should be made into appropriations and provisos in the general appropriations bill.

Digested 3/19/2018

HB-2010-HD-1

Submitted on: 3/20/2018 12:14:22 PM

Testimony for ETT on 3/21/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Denise Wardlow	Individual	Oppose	No

Comments: