

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM
ON
HOUSE BILL NO. 911, H.D. 2

March 20, 2019
3:00 p.m.
Room 414

RELATING TO TOURISM

House Bill (H.B.) No. 911, H.D. 2: establishes the Convention Center Repair and Maintenance Special Fund (CCRMSF); redirects an unspecified amount annually in Transient Accommodations Tax (TAT) revenues to the CCRMSF for FY 20 through FY 23; establishes the Convention Center Emergency Special Fund (CCESF); redirects an unspecified amount annually in TAT revenues to the CCESF for FY 20 through FY 23; removes repair and maintenance as permissible uses of the CCESF; and requires annual reports by the Hawaii Tourism Authority to the Legislature.

The department generally does not support the creation of special funds that do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and

4) demonstrate the capacity to be financially self-sustaining. In regards to H.B. No. 911, H.D. 2, it is difficult to determine whether the proposed special funds would be self-sustaining.

It should also be noted that the two new special funds would require separate appropriations for expenditure.

Finally, the department has concerns with the CCESF being established outside of the State treasury as having the funds within the State treasury will allow for better investment and fund management.

Thank you for your consideration of our comments.



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaiiauthority.org

David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Wednesday, March 20, 2019
3:00PM
State Capitol, Conference Room #414

In consideration of
HOUSE BILL NO 911 HD2
RELATING TO TOURISM.

Chair Wakai, Vice Chair Taniguchi, and members of the Senate Committee on Energy, Economic Development, and Tourism: The Hawai'i Tourism Authority (HTA) **supports** House Bill 911 HD2, which establishes the convention center repair and maintenance special fund and the convention center emergency special fund.

The 1.1 million-square-foot Hawai'i Convention Center (HCC) was constructed over 20 years ago. Since then, the center hosted many local, national, and international events every year. As can be expected of a center of this size and age, there are growing needs for maintenance and repairs that will keep the center competitive in the meetings, conferences and incentives (MCI) business market.

We believe the creation of these two funds would help us by placing greater emphasis and focus on repairs and maintenance while also clearly showing the State's commitment to supporting both our residents and visitors during times of emergency.

It is for these reasons that the HTA **supports** House Bill 911 HD2. We appreciate this opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Special Funds

BILL NUMBER: HB 911, HD-2

INTRODUCED BY: House Committee on Tourism & International Affairs

EXECUTIVE SUMMARY: Reduces the transient accommodations tax revenue allocation to the convention center enterprise special fund. Establishes a convention center repair and maintenance special fund and a convention center emergency special fund and allocates a portion of the transient accommodations tax to those funds. Increases the minimum fund balance of the tourism emergency special fund.

SYNOPSIS: Adds two new sections to chapter 201B, HRS, establishing the convention center repair and maintenance special fund and the convention center emergency special fund.

Amends section 201B-8, HRS, to specify that maintenance of the convention center is to be paid for not by the convention center enterprise special fund, but by the convention center repair and maintenance special fund.

Amends section 237D-6.5, HRS, to add two new earmarks on the TAT for \$2 million for each of four fiscal years to the convention center repair and maintenance special fund, and \$5 million for each of four fiscal years to the convention center emergency special fund.

EFFECTIVE DATE: July 1, 2099.

STAFF COMMENTS: This bill is supposed to ensure the proper maintenance of the Hawaii Convention Center as an emergency operations center for the Hawaii Tourism Authority (Authority) during a statewide emergency by:

- (1) Establishing the Convention Center Repair and Maintenance Special Fund for the repair and maintenance of the Hawaii Convention Center;
- (2) Establishing the Convention Center Emergency Special Fund as a resource for the tourism industry in case of a natural disaster or other emergency;
- (3) Requiring the Authority to submit annual reports to the Legislature relating to the expenditures, purposes, and balances of the Convention Center Repair and Maintenance Special Fund and Convention Center Emergency Special Fund;
- (4) Prohibiting the moneys in the Convention Center Enterprise Special Fund from being used for repair and maintenance projects that are to be funded by the Convention Center Repair and Maintenance Special Fund; and

(5) Annually allocating \$ _____ and \$ _____ of Transient Accommodations Tax revenues to the Convention Center Repair and Maintenance Special Fund and Convention Center Emergency Special Fund, respectively, from fiscal years 2019-2020 to 2022-2023.

Specifically, this means that \$28 million (using HD-1 numbers) will be diverted from tax revenues over the course of four years and not put to immediate use but will be squirreled away for an emergency such as a natural disaster. (Perhaps that explains the bill number.) Doing this is questionable when the State has immediate and heavy needs such as maintenance backlogs at UH and DOE.

We also note that the State Auditor, in [Report No. 19-10](#), has determined that neither the proposed Convention Center Emergency Special Fund nor the Convention Center Repair and Maintenance Special Fund described in this bill meet the statutory criteria for establishing a special fund.

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 these special funds 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.

Digested 3/15/2019