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DEPARTMENT OF BUDGET AND FINANCE

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OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 911, H.D. 1

February 20, 2019
4:00 p.m.
Room 308

RELATING TO TOURISM

House Bill (H.B.) No. 911, H.D. 1: establishes the Convention Center Repair and Maintenance Special Fund (CCRMSF); redirects \$2,000,000 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 \$5,000,000 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. 1, 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.



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David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

Hawai'i Tourism Authority
before the
HOUSE COMMITTEE ON FINANCE

Wednesday, February 20, 2019
4:00PM
State Capitol, Conference Room #308

In consideration of
HOUSE BILL NO 911 HD1
RELATING TO TOURISM.

Chair Luke, Vice Chair Cullen, and members of the House Committee on Finance: The Hawai'i Tourism Authority (HTA) **supports** House Bill 911 HD1, 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, HCC has hosted many local, national, and international events every year. As can be expected of a center its size, certain areas of HCC are in much need of maintenance and repairs to keep it competitive in the meetings, conferences and incentives (MCI) business market. The provisions of this measure would allow the State to remain competitive in this market by allocating a specific amount of funds towards repair and maintenance.

It is for these reasons that the HTA **supports** House Bill 911 HD1. We appreciate this opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

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SUBJECT: TRANSIENT ACCOMMODATIONS, Special Funds

BILL NUMBER: HB 911, HD-1

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 \$2,000,000 and \$5,000,000 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 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.

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 2/16/2019

HB-911-HD-1

Submitted on: 2/17/2019 5:32:52 PM

Testimony for FIN on 2/20/2019 4:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert DeCoito	Individual	Support	No

Comments:

Testimony in Support of SB 911

RELATING TO THE HAWAII.

Appropriates funds to improve health care services related to cardiac care at Hilo Medical Center.

(Name/Title) ROBERT DECOITO

Thank you for the opportunity to provide testimony in **support of SB 911** that appropriates funds to improve health care services related to cardiac care at Hilo Medical Center.

This funding supports Hilo Medical Center's efforts to provide interventional cardiac care for East Hawaii and potentially for all of Hawaii Island. The procedure involved in this advanced level of cardiac care stops heart attacks in progress and reduces long term cardiac disability. The American College of Cardiology recommends interventional cardiac care as a best practice for treating heart attacks in rural areas like Hawaii Island.

Hilo Medical Center is well positioned to provide interventional cardiac care as it already has available cardiac imaging equipment and software, as well as a cardiology clinic that has space for three cardiologists. The hospital's cardiology program is on track to meeting its goal by the end of 2019 to provide interventional cardiology that will save lives and improve the quality of life for cardiac patients. The funding received in the 2018 legislative session was very much appreciated as it was crucial in the hospital's success in recruiting interventional cardiologists. Funding in this second phase is

essential for Hilo Medical Center to continue the momentum in advancing heart attack care.

Again, mahalo for the opportunity to express my **support for SB 911** to improve cardiac care at Hilo Medical Center.