



Hawai'i Convention Center
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David Y. Ige
Governor

Chris Tatum
President and Chief Executive Officer

Statement of
CHRIS TATUM

LATE

Hawai'i Tourism Authority
before the
HOUSE COMMITTEE ON TOURISM & INTERNATIONAL AFFAIRS

Tuesday, February 5, 2019
9:00 AM
State Capitol, Conference Room #312

In consideration of
HOUSE BILL NO 911
RELATING TO TOURISM.

Chair Onishi, Vice Chair Holt, and members of the House Committees on Tourism and International Affairs: The Hawai'i Tourism Authority (HTA) **supports** House Bill 911, 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. House Bill 911's provisions would allow the State to remain competitive in this market.

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

TAX FOUNDATION OF HAWAII

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SUBJECT: TRANSIENT ACCOMMODATIONS TAX

BILL NUMBER: HB 911

INTRODUCED BY: ONISHI, LOWEN, NAKASHIMA, San Buenaventura

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, 2019.

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.

Digested 2/2/2019

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON TOURISM AND INTERNATIONAL AFFAIRS
ON
HOUSE BILL NO. 911

February 5, 2019
9:00 a.m.
Room 312

LATE

RELATING TO TOURISM

House Bill (H.B.) No. 911: 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, 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.