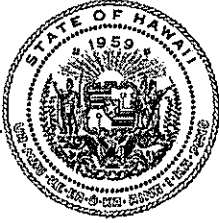


**SB 284 – Relating to Transit Accommodations Tax**  
Requires that not less than % of moneys allocated to the tourism special fund from the transient accommodations tax be used for tourism product development.



LINDA LINGLE  
GOVERNOR  
MARSHA WIENERT  
TOURISM LIAISON

## TOURISM LIAISON

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Statement of  
**MARSHA WIENERT**  
**Tourism Liaison**  
Department of Business, Economic Development & Tourism  
before the  
**SENATE COMMITTEE ON TOURISM**  
Tuesday, February 3, 2009  
2:45 p.m.  
State Capitol, Conference Room 229

in consideration of  
**SB 284**  
**RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.**

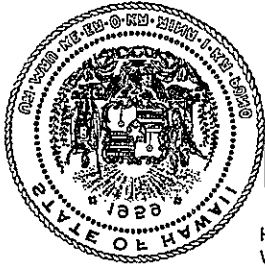
Chair Nishihara, Vice Chair Galuteria and Members of the Senate Committee on Tourism.

The Department of Business, Economic Development and Tourism opposes SB 284, which amends Section 237D-6.5 (b), Hawaii Revised Statutes, by specifying that a percentage of the revenue collected and deposited into the tourism special fund be used for tourism product development.

We support product development and agree that the tourism authority should expend funds for product development as well as other non-marketing initiatives. However, mandating that a percentage of the funds be spent for product development would tie the hands of the authority and its board in developing initiatives and appropriating funds based on priorities that have been established due to market and economic conditions of the time.

Therefore, we humbly request that this bill be held and that you allow the authority's board to operate in the best interest of the people of Hawai'i and the visitor industry.

Thank you for allowing me to comment on SB 284.



LINDA LINGLE  
Governor

LLOYD I. UNEBASAMI  
Interim President and  
Chief Executive Officer

# Hawai'i Tourism Authority

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Testimony of  
**Lloyd Unebasami**  
Interim President and Chief Executive Officer  
Hawai'i Tourism Authority  
on  
**S.B. 284**  
**Relating to Transient Accommodations Tax**

Senate Committee on Tourism  
Tuesday, February 3, 2009  
2:45 p.m.  
Conference Room 229

The Hawai'i Tourism Authority (HTA) supports the intent of S.B. 284 which requires a percentage of the transient accommodations tax (TAT) to be used for product development.

The Hawai'i Tourism Strategic Plan (TSP), which the HTA, in collaboration with partners in the community, industry and government sectors, developed in 2004, identifies nine initiatives that are needed to ensure a long-term and sustainable visitor industry. They are: Access, Communications & Outreach, Hawaiian Culture, Marketing, Natural Resources, Research & Planning, Safety & Security, Tourism Product Development and Workforce Development.

The TSP provides the overall framework upon which the HTA develops its own agency programs. Tourism product development is one of the nine initiatives in the TSP and the goal of this initiative is: To provide a diverse and quality tourism product that is unique to Hawai'i, enhances the Hawai'i visitor experience, and enriches our residents' quality of life.

Since 2005, the HTA has allocated approximately 6-8 percent of the monies in the Tourism Special Fund each year for the tourism product development initiative. The funds in this initiative are used by HTA, in partnership with others including the Counties of Hawai'i and various community groups, primarily for the following programs: Product Enrichment Program, Festivals and Events Program, Other Product Development opportunities and for technical assistance.

As the HTA is supporting tourism product development as well as the other 8 initiatives of the TSP, the HTA believes that S.B. 284 is unnecessary. Thank you for the opportunity to testify on this measure.



**HAWAII HOTEL & LODGING  
ASSOCIATION**

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31<sup>st</sup> Anniversary  
Are You Walking???  
May 16, 2009  
(Always the 3<sup>rd</sup> Saturday in May)  
[www.charitywalkhawaii.org](http://www.charitywalkhawaii.org)

**TESTIMONY OF MURRAY TOWILL  
PRESIDENT  
HAWAII HOTEL & LODGING ASSOCIATION  
February 3, 2009  
RE: SB 284 Relating to the Transient Accommodations Tax**

Good afternoon Chairman Nishihara and members of the Senate Committee on Tourism. I am Murray Towill, President of the Hawaii Hotel & Lodging Association.

The Hawaii Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 170 hotels representing over 47,300 rooms. Our hotel members range from the 2,523 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association does not support SB 284. We strongly believe that the Hawaii Tourism Authority ("HTA") needs to support both product development and marketing activities. Both the quality of our product and effective marketing are essential to the success of Hawaii as a destination.

We do not support this bill because it would mandate that a certain percentage of HTA's funds go to product development. We believe the allocation of funds to various activities should vary and should be determined by circumstances. The economic crisis we are currently encountering is a good example of this need for flexibility. Currently HTA is confronted with falling revenue and needs to bolster its marketing activities to stimulate travel to Hawaii.

A restriction like the one proposed here could adversely impact the HTA's ability to respond.

We urge you to hold this bill. Mahalo again for this opportunity to testify.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition of revenues for tourism product development

BILL NUMBER: SB 284

INTRODUCED BY: Nishihara

BRIEF SUMMARY: Amends HRS section 237D-6.5 to provide that of the 34.2% of the transient accommodations tax (TAT) revenues deposited into the tourism special fund, \_\_\_% shall be used for tourism product development.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: This measure would revert to the same problem faced by those who attempted to promote the visitor industry with public funds, the micro managing by the legislature of how the money was to be spent. In this case, it appears that lawmakers know just how much should be spent for tourism product development. The whole point of setting a lump sum of money aside from the TAT in 1998 was that the promotion of the visitor industry should be left to professionals in the field. By earmarking TAT monies for tourism product development, lawmakers are acknowledging that they are “professionals” in the visitor promotion business.

It should be noted that there is no definition of “tourism product development” in the proposed measure so it is questionable what tourism product development entails.

More importantly, by earmarking funds that are designated originally for tourism promotion and visitor industry research, funds for this particular area are reduced, curtailing the ability to respond appropriately to needs and market changes. It should be remembered that funds for this program area were siphoned off to provide funding for the state parks fund and the special land and development fund for the Hawaii statewide trail and access program.

Rather than perpetuating the diversion of TAT revenues, lawmakers should replace the siphons from the tourism special fund with appropriations if they deem such programs of importance. This would make lawmakers more accountable for their actions. What should be noted here is exactly what was predicted when the legislature began setting up special funds with carve-outs from existing revenue streams. Because these funds are earmarked for specific purposes, they become targets to tack on seemingly related program expenditures either because they are of lesser priority and therefore could not garner support for funding out of the general fund or would meet with lesser resistance as the funds are already earmarked and out of the reach of lawmakers to be utilized for other unrelated activities.

Digested 2/2/09