

TAXBILLSERVICE

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SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for pest inspection, quarantine, and eradication fund

BILL NUMBER: SB 1272, SD-1

LATE TESTIMONY

INTRODUCED BY: Senate Committee on Tourism

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(2) to provide that of the 34.2% of transient accommodations tax (TAT) revenues deposited into the tourism special fund, beginning on July 1, 2009, of the first \$_____ in revenues deposited: (1) _____% shall be deposited into the state parks special fund established in section 184-3.4; (2) _____% shall be deposited into the special land and development fund established in section 171-19 for the Hawaii statewide trail and access program; and (3) _____% shall be deposited into the pest inspection, quarantine, and eradication fund established in HRS section 150A-4.5.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: The legislature by Act 235, SLH 2005, increased the percentage of revenue deposited into the tourism special fund from 32.6% to 34.2%, provided that of the first \$1 million deposited into the tourism special fund, 90% shall be deposited into the state parks special fund and 10% deposited into the special land and development fund established for the Hawaii statewide trail and access program, and 0.5% of the 34.2% shall be deposited into a sub-account of the tourism special fund to provide funding for a safety and security budget.

The proposed measure would increase the \$1 million to \$___ million deposited into the tourism special fund, change the percentage of funds earmarked into the state parks special fund, special land and development fund, and adds a new program area to be funded - for the pest inspection, quarantine, and eradication fund.

While the proposed measure would add another siphon of TAT revenues, it would perpetuate the earmarking of TAT revenues for activities other than tourism. While proponents of earmarking of the TAT argue that if the trail and access programs are not funded, none of the pristine beauty that visitors come to see will be preserved, one could make the argument on the other side. If there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state's economy. Lawmakers seem to have lost sight of the fact that visitors also contribute to state coffers directly through the 4% on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay to help maintain the state parks and the trail and access program, then paying for those programs out of general funds is just as appropriate as stealing the money from what is identified as a tax paid specifically by the visitor.

Unfortunately, lawmakers would rather spend those general funds on other pet programs and projects.

What they have decided is that maintaining the state's parks is not a high enough priority to be funded out of the general fund pot. Indeed, if state parks are of such a priority, then they should be measured along side all other general fund financed programs. Limiting the amount of money to be expended on visitor promotion, an effort to bring more visitor dollars to Hawaii, is short-sighted. What will lawmakers say when visitor arrivals don't grow or, more importantly, if visitor expenditures don't continue to contribute ever increasing tax revenues to the state coffers?

Rather than the continual earmarking of TAT revenues to provide funds for the state parks fund or the Hawaii trail and access program, or the pest eradication and quarantine program as proposed by this measure, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for this specific program which not only benefits the visitor but the community at large is an abdication on the part of the legislature to set priorities among general fund resources and is an indication that the legislature truly does not believe this is an important enough issue to set aside state appropriations to address this issue. Advocates for this program should be just as concerned. Although it would seem that earmarking a portion of the TAT would assure funding for this program, the question should be, "will it be enough?" As is the current situation with declining occupancies, will there be sufficient revenues to fund this program let alone visitor promotion and paying off the convention center debt? This measure allows lawmakers to use general funds for other programs as they have "taken care" pest inspection, quarantine, and eradication of pest programs with these earmarked funds.

Digested 3/16/09