



Report to the Legislature

State of Hawaii

Regular Session of 2005

Report on the expenditures of \$8 million
From the Tourism Special Fund
In response to Act 58, SLH 2004

Prepared by:

Hawaii Tourism Authority
December 6, 2004

INTRODUCTION

This report is pursuant to Act 58, SLH 2004 which requests the Hawaii Tourism Authority (HTA) to report to the Legislature no later than January 15, 2005, on the details of the \$8,000,000 that was appropriated out of the tourism special fund for fiscal year 2004-2005 to improve the operational and financial efficiency of the Authority.

BACKGROUND

In 1998, the HTA was established as the state agency with oversight for Hawaii's visitor industry. In its first year of operations, the HTA's initial 12 month budget (FY 1999) was used to fund eighteen months of marketing services by the Hawaii Visitors and Convention Bureau's marketing contract (July 1, 1998 through December 31, 1999). This situation caused the HTA to utilize future budgets to make up for the appropriation shortfall, which in the Authority's initial budget year amounted to approximately \$27 million.

This situation has continued throughout the HTA's existence. During the 2004 legislative session, Act 58, SLH 2004 was passed which appropriated to the HTA an additional \$8 million from the Tourism Special Fund (above its \$61 million annual budget) to allow the Authority to correct this fiscal anomaly.

EXPENDITURE DETAILS

The HTA's major marketing contracts from January 1, 2004 – December 31, 2007 will remain at a consistent dollar level. The \$8 million appropriation has been used to decrease the dependency of future budgets to pay for current contracts. Prior to correcting this budgeting process, the HTA had difficulty in making timely payments for marketing in the months of April, May and June of each year. Due to HTA's efforts to correct this budgeting deficiency, all of HTA's contracts can be kept current and paid on time. Attached is a schedule which illustrates the reduction of the dependency of future budgets for these marketing contracts.

CONCLUSION

In summary, as stipulated in Act 58, SLH 2004, the \$8 million was used to correct the use of future budgets for current marketing contracts.

Hawaii Tourism Authority
 TOURISM SPECIAL FUND
 Budget Projections FY 2004-2009 (Amended)
 (thousands of dollars)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Proposed FY 2005 Descriptions
MARKETING							
Major Marketing Contracts							
A. Balance of 2004 Contract Liability	21,648	10,037	9,050	5,297	1,647		Balance due on 2004 0 Marketing Contracts
B. Additional Appropriation		8,000					\$8 million appropriation
C. Partial 2005 Marketing Contract Funding	15,963	24,950	28,703	32,353	35,903	37,550	Available for \$34 million of Marketing Contracts