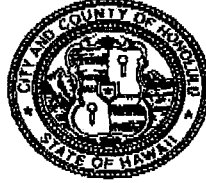


SB 1227

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
PHONE: (808) 523-4141 • FAX: (808) 523 4242 • INTERNET: www.honolulu.gov

MUFU HANNEMANN
MAYOR



March 2, 2009

The Honorable Donna Mercado Kim, Chair
and Members
Committee on Ways and Means
Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Kim and Senators:

I am offering this testimony in support of Senate Bill 1227, S.D. 1, Relating to the Hawaii Tourism Authority, which proposes to abolish the Hawaii Tourism Authority in favor of a Department of Tourism in the executive branch of state government.

It comes as no coincidence that the U.S. Conference of Mayors, of which I serve as chairman of its standing committee on tourism, has as one of its 10 national priorities the establishment of a cabinet-level secretary of tourism. With tourism showing tremendous strength as a leading industry in cities and states across the nation, the nation's mayors have agreed that it merits the prominence of cabinet status, along with funding to sponsor marketing and the authority to champion the easing of laws and barriers that hinder international travel. The establishment of a Hawaii Department of Tourism would mirror this national initiative.

When I served as Director of Business, Economic Development & Tourism during the Waihe'e administration, one of my earliest actions was emphasizing "tourism" in the agency's name to reflect the priority we placed on the industry. We succeeded in pushing through what was, at the time, the largest increase in marketing funding for tourism and launched a number of programs to diversify the industry and attract visitors, such as food festivals on each island, an Aloha on Tour promotional campaign, regional cuisine promotions, sports sponsorships, and film and television tie-ins. We were able to maneuver through some difficult times—economic recessions in the United States and

The Honorable Donna Mercado Kim, Chair
and Members
March 2, 2009
Page 2

Japan, the Gulf War, and Hurricane Iniki—because, as an executive-level agency, we had the ability to react quickly to problems, the flexibility to create programs that addressed the needs of the industry and market, and the support of the administration and Legislature.

While I will withhold comment on the many details of this measure, it appears that the goal of Senate Bill 1227 is to restore that level of flexibility, and direct accountability, to the state's tourism activities. Other state agencies operate under similar fiscal conditions and legislative oversight, and it may be time for the state's tourism program to return to the fold.

While at DBEDT, we also provided funding to the county governments to underwrite marketing campaigns and projects specific to their needs and goals. If it is the intent of this legislative proposal to provide more funding directly to the county governments, then it certainly merits our strong support.

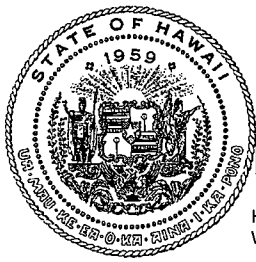
I encourage you to give this measure your continued consideration.

With warm regards and aloha,

Yours truly,



Mufi Hanneman
Mayor



LINDA LINGLE
Governor

LLOYD I. UNEBASAMI
Interim President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākāua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

Testimony of
Lloyd I. Unebasami
Interim President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 1227, S.D. 1
Relating to the Hawai'i Tourism Authority

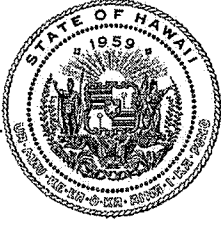
Senate Committee on Ways and Means
Monday, March 2, 2009
9:30 a.m.
Conference Room 211

The Hawai'i Tourism Authority (HTA) strongly opposes S.B. 1227, S.D. 1, which proposes to establish a Department of Tourism and abolish the Hawai'i Tourism Authority. There are several points that we would like to point out:

- The HTA was established in 1998 based on the proposals made by the Economic Revitalization Task Force (ERTF) which concluded that in order to have a cohesive plan for Hawai'i's tourism industry, the State needed to have one entity responsible, and accountable for all aspects of tourism – policy development, marketing and market development, product development and impact monitoring. Since its existence, the HTA has performed the following:
 - Setting tourism policy and development from a statewide perspective;
 - Developing and implementing the state's tourism marketing plan and efforts;
 - Developing and monitoring implementation of the Hawai'i Tourism Strategic Plan (TSP);
 - Developing tourism programs with partners in the community, government and industry to sustain a healthy visitor industry; and
 - Coordinating tourism-related research, planning, promotional, and outreach activities with the public and private sectors.
- Furthermore, the ERTF recommended that a public-private board be established to assure that promotion dollars are effectively expended. The implementation of these recommendations and the operational efficiencies authorized by the Legislature since its creation have allowed the HTA to operate efficiently and effectively and function as the entity proposed by the ERTF.

A Department of Tourism will not be able to function as efficiently or effectively as the ERTF envisioned.

For these reasons we oppose S.B. 1227. Thank you for the opportunity to offer these comments.



TOURISM LIAISON

LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 586-2362
Fax: (808) 586-2370

Written statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
Monday, March 2, 2009
9:30 a.m.
State Capitol, Conference Room 211

in consideration of
SB 1227 SD1
RELATING TO THE HAWAII TOURISM AUTHORITY.

Chair Kim, Vice Chair Tsutsui and Members of the Senate Committee on Ways and Means.

The Department of Business, Economic Development and Tourism has concerns with SB 1227 SD1, which repeals the Hawai'i Tourism Authority; establishes the department of tourism; establishes an interagency working group to facilitate the transitioning of the department of tourism; transfers the convention center enterprise special fund, the tourism special fund, and the tourism emergency trust fund to the department of tourism; and renames the department of business, economic development, and tourism to the department of business and economic development.

The current structure allows the opportunity for experienced industry professionals to be directly involved in the policy and decision-making process. These industry professionals have a vested interest in the success of tourism and we believe that their experience and knowledge is critical in the decision-making process.

We also believe that the bureaucracy associated with state agencies may hamper this new department's ability to act swiftly as market conditions change and react to tourism's unique dynamics.

Additionally, due to our current tourism and economic challenges, we do not believe that now is the time to make these changes.

We would be willing to discuss this matter in the future, to determine its merit, however we cannot support SB 1227 SD1 at this time.

Thank you for the opportunity to comment on this measure.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1227, S.D. 1

March 2, 2009

RELATING TO THE HAWAII TOURISM AUTHORITY

Senate Bill No. 1227, S.D. 1, establishes the Department of Tourism to assume tourism-related functions currently under the Department of Business, Economic Development and Tourism.

We are opposed to this bill. Establishing a new State department will require additional resources to administer and operate the department. In light of the current fiscal crisis, we must look to consolidate operations and curtail non-essential or newly added services.

There does not appear to be any current operational obstacles that would require tourism to be housed in a separate department which would only result in additional overhead costs.

SENATE COMMITTEE ON WAYS AND MEANS

RE: SB 1227, SD 1
March 2, 2009, 9:30 AM
State Capitol Room 211

I OPPOSE this proposal to switch the functions of the HTA to a new Department of Tourism. It is the wrong priority at the wrong time for Hawai'i. It continues to nothing more than corporate welfare at its worst, for an economic sector best able to pay its own way.

Corporate Welfare. Why should public money be spent on private profit-making industry, tourism, when no amount will put money in the pockets of the supposed visitor market which this spending presumes will suddenly decide to come to Hawai'i? First, lets call it what it is – corporate welfare to a sector that should independently figure out how it should fund its own marketing message without the contribution of government money. Where are the private market advocates now? They are the first ones to speak out when public regulation and funding for resource protection and social programs are at issue. Why shouldn't these private market adherents live by the same sword they wield against government spending on these necessary programs that preserve constitutional interests in important elements of our society?

The Presumption of Tourism Promotion. Secondly, why doesn't government demand accountability from those that spend on tourism promotion? The results of the Legislative Auditor's investigation are bad enough. There should be attention to seeing whether public money is being effectively spent, and I urge you to pursue the recommendations forcefully and vigorously.

However, I raise an even more basic challenge to the proponents of this spending – demonstrate statistically that tourism promotion spending actually results in more tourists coming to Hawai'i because of those promotional dollars being spent on advertising. There is a standard way of determining whether such spending is statistically significant in achieving the desired increase in tourism traffic. In economics, it can be measured mathematically as part of a standard econometric analysis, which would objectively tell you whether the money you decide to spend is statistically associated with increased tourism traffic. Such an analysis would lend rationality to the discussion about whether the HTA or a Department of Tourism should be funded for such promotion spending. Let's agree on measuring that statistical association, not simply presume it as we have been for past decades.

The benefit of such objective analysis would shed rational light on your decision-making. Perhaps you should focus on the rationality of the spending, not debate the recasting of the method of spending. Whether the HTA or a Department of Tourism waste is waste. Let's get to the statistical bottom of this issue once and for all. The economic times are too challenging than to continue wasteful spending on an

industry which has already proven costly in social and economic terms and may ultimately be unsustainable as sea level rises, fuel prices fluctuate, and economic forces overseas become more turbulent and farther from our local control.

Legislative Priorities Ignored. In these tough economic times, it is even more critical to examine funding priorities with fewer dollars to go around. When the state is scrounging for every dollar to balance its budget, nothing should be left to waste. There is no justification for giving these segments a free pass on what should be based on objective study and analysis. The rest of the state needs the funds (\$80 million annually) for much higher important programs facing budget cuts.

In practice, this proposal actually violates a constitutional mandate to provide funding to the Department of Hawaiian Home Lands, because it further limits the available tax revenues needed to provide that funding. This continuing diversion of tax revenue is also unconscionable in view of the possible ***defunding of the general fund budget of the DHHL, as proposed by the Lingle Administration***, in violation of Art. XII, sec. 1 of the Hawai'i Constitution. That provision, amended in 1978, was specifically designed to relieve the DHHL of the necessity to general lease its homestead lands to generate the revenue needed to pay for its operational, infrastructure, and program expenses. This latest DHHL budget sets the program back 20 years, when the first general funding belatedly began to flow to the DHHL.

The State of Hawai'i is in existence only because its people and leaders PROMISED as a condition of statehood to faithfully administer the "spirit" of the Hawaiian Homes Commission Act. Nearly 20 years later, the state approved the amendment in Article XII, sec. 1 to clarify that the Legislature must provide the DHHL "sufficient sums" to accomplish its mission, not force it to lease its trust lands for revenue.

It appears that none of you understand the magnitude of this constitutional mandate to adequately fund the DHHL. Each of you swore to uphold the constitution in your oath of office. Unfortunately, the DHHL has ***not*** stepped forward as the principal department which should champion this message.

This issue forced several native Hawaiians to file suit to seek a judicial declaration that the State and the DHHL has breached their trust duties to native Hawaiians by failing to follow and enforce the constitutional provision. *Nelson v. State of Hawai'i*. This lawsuit is pending before Judge Ayabe in the First Circuit Court.

Effect on Constitutional Native Hawaiian Rights. As a result of this refusal to follow the law for the past 30 years, the DHHL waiting list has ***quadrupled***, with more than 1700 out of over 23,000 native Hawaiian applicants waiting for over 30 years for their homestead lands. The list grows longer every year, despite what you might presume from the press announcements emanating from the DHHL. Only the \$30 million annual payments to the DHHL have saved it from retrenching further into a much longer waiting list in the past 14 years since the so-called "\$600 million settlement" under Act 14 [SLH 1994]. However, those payments were NEVER

designed to substitute for the state's ongoing obligation to meet the fiscal needs of the DHHL. The need for funding is greater today than ever before and unfortunately grows each year. The proposal to defund the general fund budget of the DHHL is nothing short of abominable in view of the trust obligations this state voluntarily assumed in 1959.

For all of the above reasons, I ask you to KILL this bill and instead redirect energy to opening up an examination of the effectiveness of tourism promotion spending, as well as a reexamination of the legislative priorities that are placed on you as legislators under Article XII, sec. 1 of the Hawai'i Constitution.

Alan T. Murakami
Native Hawaiian Legal Corporation
1164 Bishop St. #1205
Honolulu, HI 96813



**HAWAII HOTEL & LODGING
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506
Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hhlh@hawaii-hotels.org
Website: www.hawaii-hotels.org



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**COMMENTS OF MURRAY TOWILL
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION**

March 2, 2009

RE: SB 1227 SD1 Relating to the Hawaii Tourism Authority

Good morning Chair Kim and members of the Senate Committee on Ways and Means. 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 opposes SB 1227 SD1 Relating to the Hawaii Tourism Authority. This bill would repeal the Hawaii Tourism Authority ("HTA") statute and replace it with a Department of Tourism. We do not support this change.

We support the existing HTA structure because it provides the opportunity for experienced industry professionals to be directly involved in the policy making and decision making process. Access to this experience is critical when setting policy for an industry critical to Hawaii's long-term economic health.

As we have seen in recent months, economic circumstances can change quickly. We are concerned that a Tourism Department will not have the flexibility or leadership to respond quickly and effectively.

A decade ago when the HTA was created, we supported an increase in the Transient Accommodations Tax to help fund its mission. The HTA has been successful in helping Hawaii weather serious recent economic problems. We urge you not to change this structure especially now as we are facing our most serious economic challenges in over 2 generations.

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