

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



SUZANNE D. CASE  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

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FIRST DEPUTY

M. KALEO MANUEL  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
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HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

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**Testimony of  
SUZANNE D. CASE  
Chairperson**

**Before the Senate Committees on  
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM  
and  
WATER AND LAND**

**Wednesday, February 5, 2020  
2:45 PM**

**State Capitol, Conference Room 414**

**In consideration of  
SENATE BILL 2287  
RELATING TO CONSERVATION FUNDING**

Senate Bill 2287 proposes to amend the distribution of revenues collected from the Transient Accommodations Tax to allocate a greater portion to the special land and development fund. **The Department of Land and Natural Resources (Department) strongly supports this measure provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request.**

The Legislature finds that the protection and restoration of Hawaii's resources is critical in maintaining the State's culture, economy and quality of life. However, the Department is equally sensitive to the directives of the Hawaii Tourism Authority and the potential impacts to reducing funds for Hawaii's marketing strategy. However, with over 10 million annual visitors to Hawaii, the time to reinvest in the State's natural and cultural capital is more critical than ever.

As the State's largest single land owner with multiple mandates to protect both natural and cultural resources, this record setting patronage is impacting sensitive natural, cultural and historic park resources, hiking trails and access roads, and ocean and coastal resources and waters. Impacts are exacerbated by inadequate staffing and operating funds to fulfill statutory mandates for resource protection, public safety and the public experience in heavily visited resource attractions.

These impacts and lack of current fiscal resources for key department programs justifies the allocation of visitor industry revenue for two primary reasons:

1. Natural and cultural resources are being compromised due to insufficient capacity to manage – exacerbated by the increase in out of state visitor patronage and use; and
2. The branding of Hawaii as a scenic and attractive resource destination may be tarnished due to the decay of experience absent improved management and as such compromise its competitive edge on the global marketplace where the trends in consumer travel favor locations with comparable and more pristine resources.

The Department would need to consider an equitable method of distributing and optimizing these new funds based on need, visitor impacts, and priority. Targeted reinvestment includes but is not limited to: park operations and management, creating a stable funding base for the trail and access program, create robust law enforcement to enhance public safety and reduce vandalism and unauthorized commercial and public uses, enhance small boat harbors and ocean recreation programs, sustain sensitive marine environments, and continue with beach restoration and resiliency in response to sea level rise and its associated impacts.

Reinvestment in the Department's natural and cultural assets using funds generated by the visitor industry is a warranted and prudent policy measure due to the need to balance consumption and access to rare natural and cultural resource issues while sustaining the natural capital of Hawaii's tourist economy.

Thank you for the opportunity to support this measure.



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**David Y. Ige**  
Governor

**Chris Tatum**  
President and Chief Executive Officer

Statement of  
**CHRIS TATUM**

Hawai'i Tourism Authority  
before the  
**SENATE COMMITTEE ON WATER AND LAND &  
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

Wednesday, February 5, 2020  
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In consideration of  
**SENATE BILL NO. 2287**  
**RELATING TO CONSERVATION FUNDING**

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Chairs Kahele and Wakai, Vice Chairs Keith-Agaran and Taniguchi, and members of the Committees on Water and Land & Energy, Economic Development, and Tourism: the Hawai'i Tourism Authority (HTA) **opposes** Senate Bill 2287, which amends the distribution of revenues collected from the Transient Accommodations Tax (TAT) to allocate a greater portion to the Special Land and Development Fund.

HTA supports additional investment into our natural resources and protecting the environment because this is vital to our home and the future of our way of life. However, we believe taking the additional funding from tourism management would be detrimental to the long term sustainability of an industry that provides significant resources to our state. The Tourism Special Fund (TSF) currently receives \$79 million of the \$600+ million generated by the TAT annually. The Hawai'i Department of Land and Natural Resources (DLNR) is currently allocated \$3 million from the TAT, and HTA allocates an additional \$1.8M to collaborative projects with DLNR.

HTA continues to support the industry that generates \$17.75 billion in state revenue for Hawai'i, plus 216,000 jobs, and \$2.07 billion in state taxes that the Legislature allocates to support community infrastructure and services that directly benefit our residents.

Tourism is a fragile industry that, historically, has been negatively impacted by events that are unpredictable and beyond our direct control. The eruption of Kīlauea in 2018 is a good example of an unpredictable event that resulted in significant negative economic impact and job loss. Through a collaborative effort that involved the visitor industry, community, legislators, and government

agencies, a focused campaign was developed that resulted in a complete rebound for the island of Hawai‘i by the end of 2019.

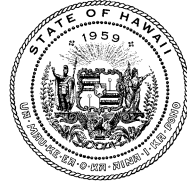
We have been actively engaged with our state legislators and various state agencies to develop collaborative working relationships to help address issues that are impacting our communities such as at Hā‘ena on Kaua‘i, Laniākea on O‘ahu and Kīlauea on the island of Hawai‘i. We have worked closely with the Department of Health (DOH) on drowning awareness and, more recently, on the 2019 novel coronavirus situation. As an attached agency to the Department of Business, Economic Development & Tourism (DBEDT), we regularly attend department managers meetings and interact with other divisions and attached agencies to find ways to effectively collaborate and support our collective mission. We have been actively engaged in emergency preparedness through the Hawai‘i Emergency Management Agency (HI-EMA), particularly in exercises and planning activities.

The long-term sustainability of our number one industry is dependent upon balancing our efforts by investing in our people, culture, and the environment that has made Hawai‘i a successful visitor destination. In Fiscal Year 2020, HTA repositioned \$8.5 million of funding from the brand marketing reserve and sporting events budget to increase efforts that perpetuate the Hawaiian culture, invest in our natural resources, and support community issues. We have added “responsible tourism” to our brand positioning and require all of our partners to include this as part of their marketing plans. We launched an extensive visitor education campaign that includes our Kuleana Project. This project includes 20 videos, created with stakeholders from each island, that share the importance of respecting our home and how visitors may contribute to these efforts. In addition, we plan to continue supporting efforts that will address industry-related social issues such as eliminating the despicable industry of human trafficking that takes advantage of our most vulnerable young people and supporting programs that address homelessness.

Tourism is vital to Hawai‘i’s economy and a balanced approach to tourism management is vital to the long-term sustainability of the visitor industry and the quality of life for our residents. This effort requires the support of both the private sector and our government leaders. The control of illegal accommodation inventory in non-resort districts is a critical component of the negative impact on our neighborhoods and drives spend through economic demand rather than the volume of visitors. To demonstrate our commitment to address these concerns, the HTA recently completed our Five-Year Strategic Plan with input from members of the community, government, and industry. The plan was created one year earlier than required due to the immediate need to align our priorities, communicate our commitment, and assign accountability.

It is for these reasons that HTA **opposes** SB2287 and the reallocation of money from the TSF that is used to manage the State’s tourism strategic plan. Mahalo for the opportunity to provide testimony.

**DAVID Y. IGE**  
GOVERNOR  
**JOSH GREEN M.D.**  
LT. GOVERNOR



**RONA M. SUZUKI**  
DIRECTOR OF TAXATION  
**DAMIEN A. ELEFANTE**  
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To: The Honorable Glenn Wakai, Chair;  
The Honorable Brian T. Taniguchi, Vice Chair;  
and Members of the Senate Committee on Energy, Economic Development, & Tourism  
  
The Honorable Kaiali'i Kahele, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Water and Land

From: Rona M. Suzuki, Director  
Department of Taxation

**Re: S.B. 2287, Relating to Conservation Funding**

Date: Wednesday, February 5, 2020

Time: 2:45 P.M.

Place: Conference Room 414, State Capitol

The Department of Taxation (Department) offers the following comments regarding S.B. 2287. This measure makes numerous changes to the allocation of transient accommodations tax (TAT) revenue under section 237D-6.5, Hawaii Revised Statutes. S.B. 2287 is effective July 1, 2020.

There is an inadvertent error on line 5 of page 4. Without amendment, this provision allocates 0.5 percent of \$79,000,000 to the sub-account of the tourism special fund for a safety and security budget, however, the amendments to this measure reduce the overall allocation to the tourism special fund to \$52,000,000. Thus, the Department suggests amending line 5 of page 4 to be consistent with other amendments made by the measure.

The Department is responsible for distributing the TAT revenues. The Department will be able to make the necessary changes for the July 1, 2020 effective date specified in the bill.

Thank you for the opportunity to provide comments.

**TAX FOUNDATION OF HAWAII**

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Raise Earmark to Special Land and Development Fund

BILL NUMBER: SB 2287

INTRODUCED BY: DELA CRUZ

EXECUTIVE SUMMARY: Amends the distribution of revenues collected from the transient accommodations tax to allocate a greater portion to the special land and development fund. Earmarks in general decrease transparency and accountability, and should be avoided.

SYNOPSIS: Amends section 237D-6.5, HRS, to (1) reduce the earmark to the tourism special fund from \$79 million to \$52 million, and (2) increase the earmark to the special land and development fund from \$3 million to \$30 million.

EFFECTIVE DATE: July 1, 2020.

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 2/1/2020



February 4, 2020

Senator Glenn Wakai, Chair  
Senator Brian Taniguchi, Vice Chair  
Senate Committee on Energy, Economic Development and Tourism  
Senator Kai Kahele, Chair  
Senator Gilbert Keith-Agaran, Vice Chair  
Senate Committee on Water and Land

### **Testimony in Opposition to SB2287**

Dear Senators Wakai, Taniguchi, Kahele, Keith-Agaran and Members of the Committee on Energy, Economic Development and Tourism and the Committee on Water and Land,

Thank you for the opportunity to provide testimony on SB2287, amending the distribution of revenues from the TAT to allow a greater portion to be distributed to the special land and development fund. The Kohala Coast Resort Association opposes this measure.

While we strongly believe that additional resources should be provided by the state to preserve and protect our natural resources across Hawaii, we believe those funds should come through the state's share of TAT currently in general fund revenues (\$339,000,000 representing 56.6% of overall TAT collections), not from reducing the portion to HTA from \$79,000,000 to \$52,000,000, and changing the allocation for natural resources protection from \$3,000,000 to \$30,000,000.

Under Chris Tatum's leadership at HTA, all of the tourism industry partners are focused on making sure that the brand pillars of natural resources preservation and protection; preservation and perpetuation of the Hawaiian culture; community engagement and resident sentiment; and marketing - are all in alignment. There is strong cooperation, communication and engagement across the industry.

But by removing these funds from HTA's budget, and earmarking them for this specific purpose, you remove the flexibility that is needed to address emerging challenges as they unfold. Last year for example, HTA was able to provide additional marketing funds for North America and Japan specifically for Hawaii Island, to try to offset the impacts of the eruptive on our island. Without that nimbleness and flexibility, we may still be trying to recover.

KCRA is a collection of master-planned resorts and hotels situated north of KOA which represents more than 3,500 hotel and timeshare accommodations and an equal number of resort residential units. This is approximately 35 percent of the accommodations available on the island. KCRA members annually pay more than \$20 million in TAT, \$20 million in GET and \$11 million in property taxes.

We encourage your opposition of this measure.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho, Administrative Director

**SB-2287**

Submitted on: 2/3/2020 8:43:25 PM

Testimony for EET on 2/5/2020 2:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Benton Kealii Pang, Ph.D.	Individual	Support	No

Comments:

I support SB2287 to increase the budget to the special land and development fund.





HAWAI'I LODGING & TOURISM  
ASSOCIATION

**LATE**

Testimony of

Mufi Hannemann

President & CEO

Hawai'i Lodging & Tourism Association

**Senate Committees on:**

Water and Land

Energy, Economic Development, and Tourism

Senate Bill 2287 – Relating to Conservation Funding

Chair Kahele, Chair Wakai, and members of the Committees, mahalo for the opportunity to submit testimony on behalf of the Hawai'i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers—opposes Senate Bill 2287 which suggests amending the distribution of revenues collected from the Transient Accommodations Tax (TAT) to allocate a greater portion to the Special Land and Development Fund.

The Hawai'i Lodging & Tourism Association (HLTA) appreciates the initiatives that are being explored by the State Legislature to address the preservation of our environment and our natural resources. However, we oppose taking these funds from the Tourism Special Fund which is vital to our visitor industry. Tourism is and always has been our bread and butter, and having a balanced approach to tourism management is key to the long-term sustainability of the visitor industry and the quality of life for our residents.

Having worked on many initiatives with the current leadership at the Hawai'i Tourism Authority (HTA), I can attest to the effectiveness of the goals set forth in managing tourism better, and promoting responsible tourism. This is portrayed through their visitor education projects, where the HTA and Hawai'i Visitors and Convention Bureau recently launched the Kuleana Campaign, a series of videos shown to visitors and residents that speaks to the importance of our culture and natural resources. It is viewed through the many community, cultural, and environmental programs, events, and initiatives that they support through their Community Enrichment Program, the Kukula Ola Program, and the Aloha Aina Program. HLTA has also worked closely with HTA on significant endeavors such as: the launching of the Ho'oilina scholarship, which awards 10 full-ride scholarships to students pursuing tourism industry management degrees at UH Manoa or UH West Oahu; the hosting of industry specific sex-trafficking awareness and prevention workshops across Hawai'i; their myriad athletic and community engagement programs around the state; and we also partnered with HTA in utilizing state matching funds to help non-profits dealing with homelessness throughout our islands.

I have always said that tourism is a fragile industry that can be negatively affected in an instant through natural or manmade disasters. For instance, over the past couple years tourism had experienced

downturns due to unanticipated events such as the floods on Kauai, the federal government shutdown, the prolonged hotel strike, and the volcanic activity from Kīlauea that occurred on Hawai‘i Island. A more recent example could be the possible negative repercussions of the coronavirus threat if we are not successful in ensuring the impact on Hawai‘i is negligible. Therefore, it is important that we not automatically assume that visitor arrivals will always be on the rise.

Moreover, I have always maintained that there are millions of dollars to be collected from transient vacation rentals that are operating illegally and hurting many of our local neighborhoods. Additionally, many are not paying their fair share of state and county taxes. We always stand ready to lend our support to those governmental efforts that would reign in TVR’s to have them operate on a level playing field in hotel and resort districts.

Lastly, out of the over \$600 million collected in TAT revenues, the Hawai‘i Tourism Authority, through the Tourism Special Fund, receives 13% of the pie, or \$79 million. We believe that taking funding away from the Tourism Special Fund would be detrimental to the sustainability of the newly established tourism strategic plan, and ultimately to an industry that provides significant resources to our state and jobs for our local residents. For these reasons we oppose this measure.

Mahalo for the opportunity to submit testimony.