



TESTIMONY OF DANIEL NĀHO'OPI'I  
INTERIM PRESIDENT & CEO, HAWAII TOURISM AUTHORITY  
BEFORE THE HOUSE COMMITTEE ON TOURISM  
Tuesday, January 30, 2024 10:00 a.m.  
In consideration of  
**HB 1517**  
**RELATING TO THE TOURISM SPECIAL FUND**

Aloha Chair Quinlan, Vice Chair Hussey-Burdick, and Members of the Committee,

The Hawai'i Tourism Authority (HTA) offers the following comments on HB1517 for your consideration. HTA appreciates the intent of this measure that reestablishes the tourism special fund to be expended by the Hawai'i Tourism Authority and allocates revenues from the transient accommodations tax.

We agree that “tourism marketing and tourism impact expenses should be paid for by tourists, rather than the residents of this State,” as it had been from the inception of HTA until 2021. We also understand that the Legislature has an immense number of factors to consider when allocating funds to ensure that tourism’s contributions to the people of Hawai'i are used wisely.

HTA has commissioned a study to examine various models of tourism governance so that we may return to you with recommendations for HTA’s future, including recommendations on funding mechanisms. That study has begun, and a report is expected this summer.

HTA appreciates the legislative discussion of this matter, as well as the opportunity to offer these comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Reestablish Tourism Special Fund and Related Earmarks

BILL NUMBER: HB1517

INTRODUCED BY: QUINLAN

EXECUTIVE SUMMARY: Reestablishes the tourism special fund to be expended by the Hawai'i Tourism Authority and allocates revenues from the transient accommodations tax.

SYNOPSIS: Adds a new section to chapter 201B, HRS, to reestablish the Tourism Special Fund, to be expended by the Hawaii Tourism Authority with the limitations that no more than 3.5% is to be used for administrative expenses, including \$\_\_\_ for a protocol fund' and at least \$\_\_\_ is to be made available to support Hawaii's natural environment and areas frequented by visitors.

Amends section 237D-6.5, HRS, by adding an earmark for \$90 million per year to the Tourism Special Fund, beginning 7/1/2025 wherein:

- (A) \$1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance;
- (B) 0.5 per cent of the \$90,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and
- (C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, funds shall be deposited into the tourism emergency special fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of \$5,000,000 in the tourism emergency special fund.

EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: The Tourism Special Fund and the Hawaii Tourism Authority were established by Act 156, SLH 1998. The purpose of the Authority was to support the tourism industry's diversity of benefits to residents and address its impacts in communities statewide.

The HTA operated quasi-independently, largely free of input from elected officials. Governed by an appointed board, the agency had a funding by way of an earmark on the Transient Accommodations Tax and was free to award contracts without following state procurement laws.

However, the HTA faced criticism over the years. Policymakers questioned whether Hawaii needed to spend tens of millions of public dollars annually to market itself as a tourist destination

at a time when many residents believed the state had more visitors than it could handle without creating negative side effects on the community and environment.

In response to these concerns, in 2021, the HTA was defunded and the Tourism Special Fund was abolished. This was accomplished by way of veto override and became Act 1, SLH 2021 (Special Session).

This bill proposes to reinstate Hawaii Tourism Authority and bring back its dedicated funding by way of an earmark on the TAT. The earmark would be of a level dollar amount as opposed to a percentage of collections.

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 and compare them against other pressing issues of the day such as crumbling education infrastructure, Maui wildfire relief, economic devastation wrought by COVID-19, and the continual danger of invasive species.

Digested: 1/27/2024

Jan. 30, 2024

10 a.m.

Hawaii State Capitol

Conference Room 423 and Videoconference

**To: House Committee on Tourism**

**Rep. Sean Quinlan, Chair**

**Rep. Natalia Hussey-Burdick, Vice-Chair**

**From: Ted Kefalas, Director of Strategic Campaigns**

**Grassroot Institute of Hawaii**

RE: HB1517 — RELATING TO THE TOURISM SPECIAL FUND

*Comments only*

Aloha Chair Quinlan, Vice-Chair Hussey-Burdick and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer its comments on [HB1517](#), which would reestablish the tourism special fund as a source of funding under Chapter [201B](#), which establishes the powers and duties of the Hawaiian Tourism Authority.

The special fund would receive a portion of the transient accommodations tax as well as a \$90 million appropriation, which is itself subject to further allocations.

With the reestablishment of the tourism special fund, the Legislature would come full circle on its contradictory and confusing approach to the HTA. Over the last several years, we have seen lawmakers consider defunding the HTA or dissolving it in favor of a new destination-management agency. In addition, both the public and policymakers have frequently expressed general dissatisfaction over the agency's management and effectiveness.

This proposal ignores that debate and restores generous funding to the HTA without ever resolving the issues that prompted lawmakers to reduce the HTA's funding in the first place.

The tourism industry is critical to Hawaii's economy, but it is clear that the industry is capable of paying for its own marketing. Allocating money to a tourism special fund would not be necessarily the best use of taxpayer dollars when Hawaii is already facing a budget crunch.

Moreover, subsidizing the tourism industry is not fair to other industries in Hawaii, nor is it optimal for Hawaii's economy in general. One could even argue that it has contributed to the "overtourism" we hear so many people complaining about, and to our lack of economic diversity.

The Grassroot Institute of Hawaii suggests that instead of supporting this bill, the Legislature should consider halting HTA funding for at least five years, during which time it could properly measure the utility of the agency.

We might find that reducing the TAT or other tourism taxes is as effective in fostering tourism as the HTA, but at a lower cost and with a higher benefit to the economy as a whole.

Meanwhile, reallocating the funds intended for the HTA would give lawmakers the flexibility to reduce the budget or mitigate a tax cut.

Thank you for the opportunity to submit our comments.

Sincerely,

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii



January 29, 2024

Sean Quinlan, Chair  
Natalia Hussey-Burdick, Vice Chair  
Committee on Tourism  
House of Representatives  
Hawaii State Legislature

### **Support for HB1517**

Dear Chair Quinlan, Vice Chair Hussey-Burdick and Members of the Committee on Tourism,

Thank you for the opportunity to provide our testimony on HB1517.

We support HB1517 re-establishing the tourism special fund to be expended by the Hawaii Tourism Authority (HTA) utilizing transient accommodations taxes (TAT).

Many of the programs HTA undertakes each year, including marketing Hawaii in pono ways to destinations around the world; managing visitor impacts on natural resources and the community; workforce development; and visitor safety and security; require financial commitments over multiple years in order to truly be effective. Having a secure, dedicated source of funding will help the authority structure its programs more effectively over time.

We also believe that the public deserves a fair and accurate accounting of how the Hawaii State Legislature has used the TAT it has collected from visitors. We believe that the \$40 million that our members have paid into state and county TAT in 2023 should be allocated to visitor marketing and education, visitor workforce development, visitor safety and security, and managing visitor impacts on our communities. Providing a dedicated source of funding to the HTA utilizing TAT is a clear way to show that alignment.

On behalf our 5,000 employees and their 20,000 family members, thank you for the opportunity to support HB1517.

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



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON TOURISM  
ON  
HOUSE BILL NO. 1517

**January 30, 2024**  
**10:00 a.m.**  
**Room 423 and Videoconference**

RELATING TO THE TOURISM SPECIAL FUND

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1517 reestablishes the Tourism Special Fund (TSF), which was previously abolished in Act 1, SpSLH 2021, for the Hawai'i Tourism Authority; and amends Section 237D-6.5, HRS, to allocate \$90,000,000 from revenues generated by the Transient Accommodations Tax to the TSF.

With regards to Subsection (b) of the proposed new section, B&F would like to note that there are preexisting investment policies for accounts within the State treasury and, as such, this subsection is unnecessary.

Thank you for your consideration of our comments.



**HAWAI'I LODGING & TOURISM**  
**A S S O C I A T I O N**

Testimony of  
Mufi Hannemann  
President & CEO  
Hawai'i Lodging & Tourism Association

House Committee on Tourism  
HB 1517: Relating to the Tourism Special Fund  
January 30, 2024

Aloha Chair Quinlan and Members of the Committee,

I am writing on behalf of the Hawai'i Lodging & Tourism Association, the state's oldest and largest private sector tourism organization representing 700 members, nearly 50,000 hotel rooms, and 40,000 lodging workers. We wish to express our support for HB 1517, which seeks to re-establish the tourism special fund which would be administered by the Hawai'i Tourism Authority while utilizing revenues generated from the transient accommodations tax.

Since its inception in 1998, the Hawai'i Tourism Authority has played a pivotal role in marketing Hawai'i as a premier global destination. In addition to its promotional efforts, the authority has been actively engaged in implementing destination management initiatives aimed at fostering regenerative and sustainable tourism practices.

We extend our gratitude for the financial support provided by the legislature and Governor's administration to the tourism sector in the aftermath of the dissolution of the tourism special fund in 2021. Securing adequate funding for the Hawai'i Tourism Authority remains a major priority for the Hawai'i Lodging & Tourism Association. We are committed to advocating for sustained support, whether through general fund allocations or the establishment of a special fund funded by the transient accommodations tax. The latter option is particularly favorable to us, as it provides a structured mechanism for the tourism authority to rely on in the years to come.

We value the opportunity to voice our support for the intent proposed by HB 1517 and to participate in the legislative dialogue surrounding this important matter.