

Testimony from James M. Boersema regarding House Bill 772

February 10, 2021

Given the current economic situation and a changing worldwide tourism industry, I, the undersigned, have signed this letter to express my support of legislation pending at the State Capitol that will grant one unique casino license in Waikiki.

I am not in a position to receive financial gain if this legislation is approved and a casino license is granted. I simply believe that this would improve Hawaii's tourism competitiveness and also have a positive impact on the State's finances for years ahead. Since our State is in perhaps its worst financial situation ever, I believe now is the time to discuss new financial options instead of just raising taxes.

I am not a gambling fanatic and I am opposed to a Hawaii lottery as that would create few new jobs and only take money from local residents, not tourists who can do lotteries in 48 other states. I am also opposed to having multiple casinos in Waikiki as Hawaii should not become another Las Vegas.

Moreover, I do not believe that visitors to our island would come here just for gambling. They come for our culture, the beauty of our islands and our wonderful weather. Even so, while tourists often go to the beaches, climb our scenic mountains or play golf during the daytime, there is now little for them to do in Waikiki after the sun goes down. Thirty years ago Waikiki had eight movie theaters, more than a dozen nightclubs and multiple live shows (Don Ho, Society of Seven, the Caz Brothers, Kodak Hula Show, etc.). Today there are a few venues for entertainment (Blue Note) but not very many. As a result, visitors are usually just walking down the streets at night, while local residents hardly ever go to Waikiki for relaxation or entertainment.

I do realize that we must be sensitive to social concerns that have been raised in the past about gambling; and I believe this legislation addresses those concerns. If passed, this legislation would allow for the opening of just one, stand-alone, casino in Waikiki with a ten-year license. That would mean no hotel would have an advantage over its competitors.

Also, this casino would not operate as those in other cities. Customers would only be allowed to enter the casino after registering to stay that day in an Oahu hotel (where average hotel room rates are about \$200 per night) and also pay an additional \$20 casino entry fee. Tourists, who should be our primary audience, are already checked into hotels and would thus pay only the \$20 entry fee. Local residents who go to Las Vegas several times a year, where they spend hundreds of millions of dollars, will hopefully be encouraged to stay here and keep their money in Hawaii. And those locals who should not gamble, because of their poor financial situation, will rarely be able to afford the hotel cost.

It should also be noted that, if this casino opens, then American Indian Tribes can not just come to the islands, purchase property, and open their own casino as some legislators and others have been taught to believe. The National Indian Gaming Regulatory Act specifically states that an Indian Tribe can only open casinos on property that they owned prior to September, 1988. The only exception is if the U.S. Secretary of the Interior and the State Governor both approve allowing an Indian tribe to buy land and go into business. That will not happen here.

The pending legislation also has the criteria for the creation of a State Gaming Commission, sets aside some funding for a compulsive gamblers program, bans persons under the age of 21 from entering the casino, assures that up to 600 new jobs are created for Hawaii citizens, prevents the legislature from creating another casino within the next ten years, and provides that the State receives guaranteed monthly income via a tax on gross receipts by the facility. Based upon a study done by former lobbyist John Radcliff a decade ago this could amount to more than \$200 million a year for the State of Hawaii.

In addition, this single casino might also help our Convention Center attract more business. While open for about 25 years, our well designed Convention Center has only been profitable for a few years because they have a difficult time to attract major conventions. That may be because convention members work for most of their days here and need more evening attractions. A single casino, and a few more live entertainment places, might result in many more large conventions.

Finally, twenty years ago the U.S. Congress conducted a National Gambling Impact Study Commission. The final report of that study says that States "considering the legalization of gambling should recognize that destination resorts create more and better quality jobs than casinos catering to a local clientele." I believe that is an accurate conclusion and think a single casino will make Waikiki a more competitive destination in the years ahead.

Even so, under this legislation, at the end of ten years the legislature can evaluate whether or not this single casino has been a positive addition to our society. If not, then it can be closed and the question of legalized gambling in Hawaii will have been answered.

**HB-772**

Submitted on: 2/8/2021 2:05:47 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Brett Kulbis        | Individual          | Oppose                    | No                        |

Comments:

STRONGLY OPPOSE HB-772.

This will only cause damage to the Hawaiian people, the land, and the righteousness of the islands. Casinos rarely do long term good for the communities they are in and typically offer a short term solution to systemic financial problems. Historically casinos have been used to help indigenous people support and uphold their communities-but at what cost?

Brett Kulbis

**HB-772**

Submitted on: 2/8/2021 2:10:54 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Roberta Helemano    | Individual          | Oppose                    | No                        |

Comments:

Please OPPSE this bill. We don't need to add any more crime in our city's or streets. Let's keep Hawai'i safe for our children and in our community. Making gambling legal is not the answer it will just bring in more problems as it is . Please consider and keep Hawai'i safe for family and our guest visiting here ... to share our Hawaiian cultures do be filled with the Aloha Spirit. Let's keep Hawai'i papardise how it should be.

**HB-772**

Submitted on: 2/8/2021 2:14:39 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Rita Kama-Kimura    | Individual          | Oppose                    | No                        |

Comments:

To: Chair [Sean Quinlan, VC Daniel Holt and committee members](#)

I strongly oppose this bill. Firstly, I don't believe any bill legalizing gambling/gaming regardless of so-called strictions is prudent. We all know it's just the first opening of a door that will inevitably lead to others.

Don't we have enough issues to deal with, without burdening the people of our state with more.

Again, I ask that you not move this bill any further.

Mahalo for your consideration.

# OFFICE OF INFORMATION PRACTICES

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TELEPHONE: 808-586-1400 FAX: 808-586-1412  
EMAIL: oip@hawaii.gov

To: House Committee on Economic Development

From: Cheryl Kakazu Park, Director

Date: February 10, 2021, 9:30 a.m.  
Via Videoconference

Re: Testimony on H.B. No. 772  
Relating to Casino Gaming

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Thank you for the opportunity to submit testimony on this bill, which would license a casino in Waikiki and create a Hawaii Gaming Control Commission. The Office of Information Practices (OIP) takes no position on the substance of this bill, but has concerns regarding a provision providing complete confidentiality for financial information in a gaming license application, and a confusing special meeting provision for the Commission that may conflict with the Sunshine Law. Therefore, **OIP has suggested amendments** to the bill for the following reasons.

In proposed subsection \_\_-8(e), at page 44 line 21 to page 45 line 9, this bill would provide complete confidentiality for all “information, records, interviews, reports, statements, memoranda, or other data supplied to or used by” the Commission in reviewing a license application. In other words, every bit of information submitted as part of the application would be confidential, including such presumably publicly available information as the applicant’s name, address, and corporate status, licensing status in other jurisdictions, and prior involvement in lawsuits and bankruptcies. Other application information that probably would

not be previously published but would be of potential public interest, such as the required plan for job training for Hawaii residents, would be confidential. Even to the extent the application involves less obviously public information, such as admissions and receipts for an applicant's other casinos (which, for a privately held company, likely could be withheld as confidential business information under the Uniform Information Practices Act), the broad nature of this provision would require confidentiality even where the information had been previously published, perhaps as part of the public filings a publicly held company must make or puffery about a company's holdings from a sales brochure. It would be unreasonable to treat all the information included in an application, even previously published information, as confidential. **OIP therefore recommends that this subsection be amended so that the last sentence of proposed subsection \_\_-8(e), at page 44 line 21 to 45 line 9, instead reads "Any commercial or financial information submitted by each applicant shall be kept confidential by the commission to the extent permitted by law; provided that nothing in this subsection shall prevent the Commission from withholding any other information from public access to the extent permitted by chapter 92F or other law."**

The proposed Commission meets the definition of a "board" in part I of chapter 92, the Sunshine Law, and thus will be required to follow the Sunshine Law's requirements. However, a special meeting provision in proposed subsection \_\_-3(f), at page 12, line 21 through page 13, line 7, confusingly appears to set separate and slightly different requirements for special meetings and may be based on an incorrect assumption that special meetings would not be subject to the Sunshine Law's requirements.

First, under this bill, a special meeting may be called “upon seventy-two hours written notice to each member.” The Sunshine Law doesn’t set a requirement for giving notice to board members, but does require filing public notice of meetings six days before the meeting date. **Thus, if the Commission tried to call a special meeting by giving written notice to each member four days ahead of the meeting date, it would meet the seventy-two hours requirement in this proposal, but would not meet the Sunshine Law’s notice requirement, and thus could not hold the meeting.** It could, of course, post public notice of the meeting six or more days ahead and also give written notice to its members seventy-two hours ahead, so strictly speaking this is not a conflict between the bill and the Sunshine Law, **but it is confusing since it implies that written notice to the members would be the only requirement for calling a special meeting.**

Second, the bill also requires the commission to “keep a complete and accurate record of all its meetings,” but since the Sunshine Law already has detailed minutes requirements that would apply to the Commission’s meetings, **the additional “complete and accurate record” requirement in this bill is duplicative and confusing.**

**To avoid confusion resulting from requirements that overlap and duplicate the Sunshine Law, OIP recommends that the portion of subsection (f) beginning at page 12, line 21 be replaced with the following:**

The commission[~~, subject to chapter 92,~~] shall hold at least one meeting in each quarter of the State’s fiscal year. Special meetings may be called by the chairperson or any four members [~~upon seventy-two hours written notice to each member~~]. Four members shall constitute a quorum, and a majority vote of the members present shall



House Committee on Economic Development  
February 10, 2021  
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be required for any final determination by the commission. [~~The  
commission shall keep a complete and accurate record of all its  
meetings.~~]

Thank you for considering OIP's proposed amendments.

**HB-772**

Submitted on: 2/8/2021 3:55:17 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Alice Abellanida    | Individual          | Oppose                    | No                        |

Comments:

I am adamantly opposed to this bill! Gambling is highly addictive and brings an element of crime and prostitution to a community.

Alice Abellanida

Ewa Beach

**HB-772**

Submitted on: 2/8/2021 4:24:43 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Jacob Wiencek       | Individual          | Oppose                    | No                        |

Comments:

As a resident and member of the Waikiki Neighborhood Board I STRONGLY oppose this measure to legalize gambling in the community. I am astounded that our state representatives and senators were not consulted on this bill and that it was filed without community involvement and support. Legalizing gambling is a significant step that will have long term ramifications for the whole state, not just my neighborhood. I do not think the consequences have been thought out in regards to this issue, the community has been clearly cut out of the discussion, and most distressingly the state seems to have put citizens concerns on the back burner while trying to make a quick buck during hard times.

It is sad to say but Honolulu and Hawaii generally suffer from corruption, organized crime, and general government incompetence. I think that legalizing gambling will worsen all three exponentially, leading to worse quality of life and public safety for citizens in this state and city. I strongly urge, again, the representatives concerned to vote no, and instead attempt a more reasonable debate on the issue before making such a drastic move.

**HB-772**

Submitted on: 2/8/2021 4:40:24 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| Submitted By  | Organization | Testifier Position | Present at Hearing |
|---------------|--------------|--------------------|--------------------|
| jennifer noel | Individual   | Oppose             | No                 |

Comments:

We don't need a casino because along with the casino comes crime and abuse of women and children with an increase in sex related crimes. I know none of this matters to our current legislature since the agenda seems be to create as much destruction of the family and morals as possible. So being that the legislature could care less how the general public feels this bill, along with many unconstitutional bills introduced this session, will be passed. You will be seeing a massed exodus of our residents as Hawaii turns into a police state and the corruption and crime escalate.

**HB-772**

Submitted on: 2/8/2021 8:04:12 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| John P. Karbens Sr. | Individual          | Oppose                    | No                        |

Comments:

Thank you for the opportunity to submit testimony. I strongly oppose legalized gambling of any type in Hawaii including casinos, lotteries and other types. Illegal gambling will only increase if forms of gambling are legalized. Addiction, crime, money laundering, prostitution and other social problems follow legal and illegal gambling activities. A floating gambling operation took place next door to my former apartment in Waikiki. Creation of a casino on the top of the Convention Center in an area already known for high crime is not logical. Educational systems in Nevada have experienced unpredictable levels of funding due to economic cycles affecting casino revenue. Our public schools and universities deserve more secure sources of financing. Our Hawaii legislature successfully fought development of a casino at Turtle Bay 50 years ago. Our representatives expressed concerns that they might no longer be in control of the State of Hawaii once those in control of casino(s) took over.

Aloha Representative Sean Quinlan, Chair, Committee on Economic Development, Committee Members, and Distinguished Guests, thank you for accepting my testimony today regarding HB772, and Gaming in Waikiki, Hawaii. My name is Alan Arato, and I have been in the entertainment industry here in Hawaii for over 35 years, and was blessed to have been an Event Producer for Tom Moffatt Productions for 20 years, since 1997 until our beloved Uncle Tom Moffatt passed away in 2016.

As we all know, the gaming debate, has been going on for quite a number of years, with many of the same concerns today. Sadly, there are much more pressing problems in front of us, due to Covid-19 that must also be addressed. Major job loss, businesses closing, and economic collapse. The problems, might not just happen, It's already here.

Hawaii, and ALL of the 50 States, are in deep trouble, and now need to look for creative, and constructive ways, to get out of this horrendous debt. We ALL need the financial help, with solid and proven ways to payback major national programs, and help the state's overall economy.

Now, we can use the gaming equation, to help us bounce back.

In Hawaii, it goes without saying, gaming combined with quality Hawaiian entertainment via the HB772 stand-alone casino, and entertainment venue, Waikiki can once again be a focal point for good times in the islands, not for just tourists, and convention visitors, but also for locals alike.

As we all know, it's been quite awhile now, since Waikiki has had the drawing power for entertainment. The powerful 60's, 70's and 80's with nightclubs, showrooms, and bars at just about every corner, and major hotel in Waikiki is no longer. Even with a little decline, the 90's continued with nightclubs, shows, luaus, and even nightlife in Waikiki shopping centers, and hotels.

Sadly, just prior to Covid-19, it had diminished to just The Blue Note, Sky Waikiki, a few hotel bars, and luaus. Now, it's even worse due to more Waikiki closures. The Waikiki of yesteryear is gone. Although still standing as a beautiful, renovated major shopping mall, even The Famous International Marketplace had lost its charm, and local style "Aloha", as many have said. A favorite for generations, it is now forever lost. Waikiki at its glory, is no more.

But, Waikiki can now start to come back, revitalize, and light up once again, with the start, via an amazing stand-alone casino, and entertainment complex, with HB772.

Las Vegas, is not called the 9<sup>th</sup> Island for just any reason. It has been proven per capita we are number one, for our love for Las Vegas and gaming. And, it's been proven, time and time again, for years. With over 500,000 visits a year, many by multiple visits, it would be nice have some of the millions, if not billions of dollars spent yearly there, be spent here in our backyard, with our very own Waikiki staycations, enjoying the stand-alone casino, and entertainment complex, as per HB772.

For years, Las Vegas has felt the Hawaii Aloha, with our dollars. It is now time to keep some of that money here. Many of our locals, can still go to Las Vegas, if they wish, but now can have the Waikiki staycation option, to help our own economy, when we need it the most.

If there is anytime, that our beautiful Hawaii State, needs the help in income and tax revenue, it is now during these unprecedented times. Hawaii is in major financial trouble, and we cannot just keep taxing its poor citizens to death. Thousands of jobs lost, and hundreds of businesses have closed due to Covid-19. And, it's going to get worse, before it gets better. Covid-19 is here to stay (with many more

variances, already on its way). Hard decisions may have to be made, that may not have been popular before. The solution, may just be right in front of our very own eyes, that can actually work.

HB772, with its creative plan, can help ease Hawaii's financial burden. And, sad to say, it is a very, very big one.

As stated in HB772, I too would love to see significant tax revenue, made by gaming, be allocated to help and actually fix specific dark issues, whilst working with the targeted chosen group or groups that need the help. Actually, solve problems with effective measures, and not just talk about them. Many problems, of which are already happening. In fact, some of the regulations in HB772, can and will help curve, many of the concerns, and negative affects placed on gaming's reputation.

If we really look at it, the highest gaming clients from Hawaii to Las Vegas, have and always been our sweet Kupuna. And, I dare not say that age group, is an actual criminal element. Although many can be Kolohe, at times. I'd bet in Vegas, they are wonderful, and beautiful people.

As a resident of Vegas, for over 10 years, I actually saw more friends and family, at THE CAL hotel at midnight, enjoying oxtail soup, than I had see in here in Hawaii, in years.

And, yes many ARE here today.

Why not have Las Vegas style fun, in Hawaii now, and help the economy at the same time. That would be great!

In HB772, if you cannot afford to stay in a hotel, and also pay the casino \$20 entrance fee, then you really shouldn't be playing. And, with the gaming limitations, to just two or three visits a month, this will help in the overall problem, too. Again, it is a staycation, that needs to be planned and saved for, like any other Las Vegas vacation.

Hawaii and Utah, are the only 2 states, that do not allow any form of gambling. If gaming was so bad, then why is it still in the other 48 states? (Please forgive me. No disrespect intended, in this statement and question).

Please, we NEED the help, and we need it now!

NO we DO NOT want Hawaii, to turn into Las Vegas. One, maybe two casinos, at the most. After, the 10-year lease program/ trial run, and after we get ourselves out of debt, we can revisit the gaming program and, analyze it with a fine-tooth comb.

Ask the hard questions, beat us up if you must.

But, please help us, help you, SAVE our beautiful Hawaiian Islands.

Tourism alone just can't do it anymore.

Sincerely with Love and Aloha,

Alan Arato

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Casino Gaming

BILL NUMBER: HB 772

INTRODUCED BY: MIZUNO

EXECUTIVE SUMMARY: Grants 10-year license for 1 stand-alone, members-only casino in Waikiki, not in a hotel. Allows guests 21 years of age or older who register to stay 1 day and night at a hotel on Oahu for each day of admission at \$20-per-day pass. Establishes the Hawaii gaming control commission. Imposes wagering tax on gross receipts. Creates the state gaming fund and compulsive gambler program.

SYNOPSIS: Adds a new chapter to the HRS authorizing casino gaming. Creates a gaming control commission with powers necessary to supervise casino gaming and to collect taxes imposed by the chapter. The gaming control commission may award a license for one casino facility in the Waikiki area of Oahu. Also provides for supplier's and occupational licenses.

Adds a new section to chapter 712, HRS, decriminalizing gambling authorized in accordance with the new chapter.

Amends section 237-13, HRS, to add a new paragraph imposing the GET at \_\_\_% of gross income on casino gaming.

Amends section 237-31, HRS, to provide that 2% of GET revenues from casino gaming are to be diverted to the state gaming fund established by the new chapter.

Provides other technical and conforming provisions.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: When deciding to legalize gaming, we need to be mindful about the possibility of opening Pandora's box to a degree greater than we may have anticipated.

This possibility arises because of a federal law called the Indian Gaming Regulatory Act, or IGRA, 25 U.S.C. §§ 2701 et seq. President Ronald Reagan signed it into law on October 17, 1988, and, interestingly enough, the primary legislators involved in drafting it were Senator Daniel Inouye of Hawaii, Representative and then (as of 1987) Senator John McCain of Arizona, and Representative Mo Udall of Arizona.

The IGRA allows Indian tribes to conduct gaming operations in a State, even if the State doesn't agree, under certain conditions. Basically, you need to have an Indian tribe, Indian lands, and gambling that is permitted by the State.

We now have neither Indians nor Indian lands here. However, there's nothing to prevent Native Americans headquartered elsewhere from packing their bags and moving here if the opportunity



is right. Indian lands usually means a reservation, but it could be any lands over which an Indian tribe exercises governmental power. It is possible for any of the federally recognized Native American tribes from whipping out a checkbook, buying up some land, and then going to the Department of the Interior to invoke a process called “fee-to-trust.” That process would result in the tribe acquiring governmental power over the land. See <https://www.doi.gov/ocl/trust-land-acquisition>. Under 25 U.S.C. section 5108 and 25 CFR sections 151.10 and 151.11, the State and local governments would be notified of and would have the opportunity to object to such acquisitions, but the Secretary of the Interior would make the final call; neither the State nor local government is given veto authority over a fee-to-trust application.

Once those elements are in place, the IGRA says that the State will need to allow casino gaming on tribal lands if it allows casino gaming anywhere else. Those are the rules for what the IGRA calls “Class III gaming.” Thus, if this bill passes, casino gaming can be allowed in other locations in Hawaii for Indians on Indian lands.

There will be some temporary hurdles. A tribal ordinance permitting the gaming needs to be approved by the National Indian Gaming Commission, which shouldn’t be tough for a tribe that already conducts Class III gaming in another state. Finally, either the state and the tribe need to negotiate a compact, or deal, or the Department of the Interior needs to approve regulatory procedures over the gaming. In other words, if the tribe and the State don’t agree to a deal the Department of the Interior can shove one down the State’s throat.

And here is the kicker. The IGRA also provides that States are not allowed to levy taxes or fees on tribal gambling, unless specifically allowed in the compact. Thus, not only can an Indian tribe come to Hawaii to conduct casino gambling, but it might be able to conduct the gambling free of State tax. Here, that could be a tremendous competitive advantage over the proposed DHHL casino, where this bill specifically provides for a forty-five per cent (45%) tax on gross gaming revenues. And that may be on top of the familiar Hawaii GET, no exemption for which is provided in this bill.

The reason none of this has happened yet in Hawaii is simple. Hawaii has not allowed any form of gambling so far. So, under the IGRA, not even Class II gaming (bingo games and similar) is allowed in Hawaii.

All of that being said, are we in Hawaii ready for Class III gaming and the consequences that may well ensue from them?

Digested 2/8/2021

**HB-772**

Submitted on: 2/9/2021 7:43:09 AM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Ellen Godbey Carson | Individual          | Oppose                    | No                        |

Comments:

I write in opposition to HB772. I strongly oppose bringing gambling into Hawaii.

We do not need more societal problems, gambling addiction, crime and related problems, including preying on those who often have the least control over their finances. In the end, the damage to society is much greater than the alleged lofty ideas of income.

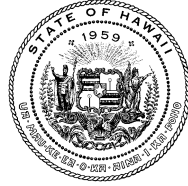
There are so many major needs to address for our residents, and particularly our Hawaiian community. They deserve so much more than they have been provided. Instituting gambling is an insult as a means of addressing those historical wrongs, and would simply exasperbate the problems suffered by that community. Let's find reaasonble ways to address the needs of our residents and the Hawaiian community, but gambling should not be one of the options.

Thank you for your consideration.

Ellen Godbey Carson, Honolulu, Hawaii

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



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ISAAC W. CHOY  
DIRECTOR OF TAXATION

To: The Honorable Sean Quinlan, Chair;;  
The Honorable Daniel Holt, Vice Chair;  
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 10, 2021  
Time: 9:30 A.M.  
Place: Via Video Conference, State Capitol

**Re: H.B. 772, Relating to Casino Gaming**

The Department of Taxation (Department) has several concerns regarding H.B. 772 and offers the following comments for your consideration.

H.B. 772 authorizes a single casino in Waikiki and creates a gaming commission to regulate the casino and provide for the collection of taxes. H.B. 772 creates a new, but unspecified, general excise tax (GET) rate to apply to casino gaming. This new rate is in HRS section 237-13(9). Two percent of revenue from this tax is to be deposited into the state gaming fund created by the bill. H.B. 772 further provides that up to one percent of the tax revenues collected pursuant to an unspecified section of Hawaii Revised Statutes (HRS) chapter 237 shall be expended to fund public security and the administrative expenses of the commission.

First, the Department notes that Section -5 of the proposed new chapter states that the commission shall provide for the collection of all taxes imposed pursuant to the chapter, but that the new chapter imposes no taxes. The same section also states that the commission has the power to “collect...all revenues derived from casino gaming.” These provisions are contradictory. It is unclear whether the Department of Taxation or the commission is to collect the tax imposed on casino gaming under HRS section 237-13(9). The Department recommends clarifying this issue.

Second and relatedly, the Department recommends creating a standalone wagering tax within the proposed new chapter to be administered and collected by the commission. Under the bill, as written, a significant amount of tax revenue from casino gaming goes to special funds and to fund the commission’s activities. Given these special dispositions and the fact that there will only be one casino taxpayer, it will be simpler to impose a standalone wagering tax to be collected by the commission and deposited into the appropriate funds. If this path is taken, an

exemption from GET for the gross receipts that make up the base of the wagering tax would also be appropriate.

Thank you for the opportunity to provide comments.

**HB-772**

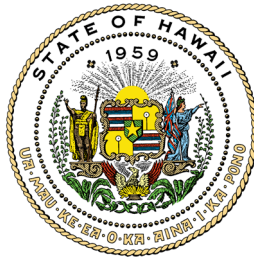
Submitted on: 2/9/2021 7:53:40 AM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Edna Kido           | Individual          | Oppose                    | No                        |

Comments:

Please, no casinos in Hawaii. Keep Hawaii the Aloha State.



HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
The Honorable Sean Quinlan, Chair  
The Honorable Daniel Holt, Vice Chair

**H.B. NO. 772, RELATING TO CASINO GAMING**

Hearing: Wednesday, February 10, 2021, 9:30 a.m.

The Office of the Auditor takes **no position** on H.B. No. 772 and offers the following comments.

The bill authorizes the establishment of one casino in Waikiki and a Hawai'i gaming commission, which would have the authority to, among other things, supervise all casino gaming operations in the State. The bill directs the Auditor to "conduct a financial and social assessment of gaming operations" after the first fiscal year of operation, and every two years after the initial assessment. The bill also directs the Auditor to "conduct a program and financial audit of the Hawai'i gaming commission" after the first full fiscal year of operation, and every four years after the initial audit is completed.

First, we note that the bill does not provide clear criteria or metrics for the recurring financial and social assessments of gaming operations required by the bill. Without more specific direction, we may identify financial impacts on the economy or social impacts on the community that may be different from those the Legislature is most interested in understanding, and for that reason, the assessments may offer less value to the Legislature. We recommend the committee consider including specific criteria or metrics for the assessments in the bill.

We also have some concerns about our capacity to perform the recurring work required by this bill without additional staff. In addition to the work we are asked to perform at the close of each legislative session, we are statutorily mandated to regularly audit the Office of Hawaiian Affairs, the Hawai'i Tourism Authority, and the Deposit Beverage Container Program; to review the special funds, revolving funds, trust funds, and trust accounts of all state departments; to assess proposed special and revolving funds; and to analyze the State's tax exemptions, exclusions, credits, and deductions.

If tasked with regularly performing program and financial audits of the commission, we will likely retain an independent CPA firm to audit the commission's financial statements. We suggest the commission be required to reimburse us the costs that we incur to perform the audits, similar to the Department of Health's obligation to reimburse us for the costs we incur to audit the Deposit Beverage Container program every other year. *See* Section 342G-107, HRS.

Thank you for considering our testimony related to H.B. No. 772.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR  
  
ROBERT YU  
DEPUTY DIRECTOR

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

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
ON  
HOUSE BILL NO. 772

**February 10, 2021**  
**9:30 a.m.**  
**Room 312**

RELATING TO CASINO GAMING

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 772.

H.B. No. 772 establishes a Hawai'i Gaming Control Commission (HGCC); establishes the State Gaming Fund (SGF) and permissible expenses from the SGF, including the establishment of a Compulsive Gamblers Program; and grants a ten-year license for a single stand-alone casino in Waikiki. The measure further outlines the powers, duties, and composition of the HGCC; establishes fees and penalties related to casino gaming; establishes qualifications and criteria for casino applications and awarding of a casino license; and establishes a tax on casino gaming.

As a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and

the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 772, it is difficult to determine whether the proposed special fund would be self-sustaining.

B&F defers to the Office of the Governor and Department of the Attorney General for policy impacts and implications of the establishment of a casino and authorized casino gaming activities pursuant to this measure.

Thank you for your consideration of our comments.



LATE

DEPARTMENT OF THE PROSECUTING ATTORNEY  
**CITY AND COUNTY OF HONOLULU**

ALII PLACE  
1060 RICHARDS STREET • HONOLULU, HAWAII 96813  
PHONE: (808) 768-7400 • FAX: (808) 768-7515

STEVEN S. ALM  
PROSECUTING ATTORNEY



THOMAS J. BRADY  
FIRST DEPUTY  
PROSECUTING ATTORNEY

**THE HONORABLE SEAN QUINLAN, CHAIR**  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**  
**Thirty-First State Legislature**  
**Regular Session of 2021**  
**State of Hawai`i**

February 10, 2021

**RE: H.B. 772; RELATING TO STATE POKER COMMISSION.**

Chair Quinlan, Vice Chair Holt, and members of the House Committee on Economic Development, the Department of the Prosecuting Attorney of the City and County of Honolulu ("Department") submits the following testimony in strong opposition to H.B. 772

The purpose of this bill is to establish a gaming control commission to oversee and regulate a ten-year licensed casino in Waikiki, where overnight hotel stay would be one of the requirements for clients to gamble there. While this bill currently calls for the development of only one casino, it seems incongruous for an entire seven-member gaming commission to be established for the purpose of a single location, and it does appear that H.B. 772 could be laying the groundwork for multiple casinos or other types of legalized gambling in the future.

That said, even the opening of a single casino has been shown to have a substantial negative impact on public safety and welfare. A nationwide study in 2004 found a sharp increase in crime after the opening of a new casino, with a relatively low effect shortly after the casino opens, which grows over time.<sup>1</sup> Overall, they calculated that approximately 8% of crime in "casino counties" was attributable to the casinos, resulting in an average cost of approximately \$75 per adult. Another study indicated that opening of a new Indian-owned casino resulted in a 10% increase violent crime, auto thefts, larceny & bankruptcies in the area increased by approximately 10%.<sup>2</sup> Crime in the surrounding communities also increased, suggesting an overall increase in aggregate crime, rather than just switching from one community to the next.<sup>3</sup>

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<sup>1</sup> *Id.*, at 8, citing Grinols, Earl L. and David B. Mustard. 2004. Casinos, Crime, and Community Costs. University of Illinois and University of Georgia working paper. That study was based on an analysis of 3,165 counties across the United States, using county-level crime data on the 7 FBI Index 1 offenses (robbery, aggravated assault, rape, murder, larceny, burglary, and auto theft) from 1977 to 1996.

<sup>2</sup> Kearney, Melissa Schettini; Brookings Institution; "The Economic Winners and Losers of Legalized Gambling," pp. 6-7, internal references omitted (February 2005). Available online at: <https://www.brookings.edu/wp-content/uploads/2016/06/200502kearney.pdf>; last accessed February 9, 2021.

<sup>3</sup> *Id.*

Locally, a recent study commissioned by the Hawaii State Commission on the Status of Women (“HSCSW”) points to the serious risk of increased sex trafficking in our community, if a casino is opened on Oahu.<sup>4</sup> “In 2020, Child and Family Services...identified 97 sex trafficking victims among its clients,” statewide; this spanned five different islands, and “[t]he majority of the victims (64%) identified as Native Hawaiian.”<sup>5</sup> Susannah Wesley Community Center, another community-based service provider, reported a 65% increase in the number of people needing sex trafficking-specific therapy, during the COVID-19 pandemic alone.<sup>6</sup>

Seeing that Hawaii’s sex trafficking industry is clearly subject to increase, given changes in the economic climate, one can only infer that adding a casino into the mix would further exacerbate this already staggering problem. As pointed out in the HSCSW report, casinos would be expected to attract large numbers of men with disposable income, and a 2010 federal study found that “casino patrons were 17% more likely than the average survey respondent to have paid for sex in the past year.”<sup>7</sup>

On a more granular level, multiple studies—including the HSCSW report—have also shown a correlation between casino gambling and domestic violence, divorce, bankruptcy, drug and alcohol use, and risky or illicit sexual behavior.<sup>8</sup> In 2010, an Australian study found that 15.2% of problem gamblers admitted to illegal activity; the most common “gambling-related illegal offense[s] were] theft, fraud, robbery and assault, and breach of apprehended violence orders.”<sup>9</sup>

Despite the substantial hardship of steering Hawaii’s economic recovery in the coming years, from the first global pandemic seen in over 100 years, the Department strongly urges the Legislature not to give in to temptation to introduce such dangerous—albeit lucrative—industries as casinos into Hawaii’s communities. In the long-run, the high risk for increased crime—including sex trafficking and domestic violence—outweighs any potential income.

For all of the foregoing reasons, the Department of the Prosecuting Attorney of the City and County of Honolulu strongly opposes H.B. 772. Thank you for the opportunity to testify on this matter.

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<sup>4</sup> Hawai‘i State Commission on the Status of Women, “Gambling With Women’s Safety: A Feminist Assessment of Proposed Resort-Casino,” January 26, 2021. Available online at [https://humanservices.hawaii.gov/wp-content/uploads/2021/02/1.26.21-r2.1.21-GIS-FINAL\\_DHHL-Casino.pdf](https://humanservices.hawaii.gov/wp-content/uploads/2021/02/1.26.21-r2.1.21-GIS-FINAL_DHHL-Casino.pdf); last accessed February 4, 2021.

<sup>5</sup> *Id.*, at page 3.

<sup>6</sup> *Id.*, at page 4.

<sup>7</sup> *Id.*, at page 4. Internal references omitted.

<sup>8</sup> *Id.*, at page 3. *See also* Wu, Shou-Tsung and Chen, Yeong-Shyang, “The social, economic and environmental impacts of casino gambling on the residents of Macau and Singapore,” *Tourism Management*, Vol. 48 (June 2015), pp. 285-298, Section 2.1, Social Impacts. Internal citations deleted. Available online at: <https://www.sciencedirect.com/science/article/pii/S0261517714002441>; last accessed February 3, 2021.

<sup>9</sup> Wheeler, Sarah A., David K. Round, John K. Wilson; Centre for Regulation and Market Analysis, School of Commerce, University of South Australia; “The Relationship Between Crime and Electronic Gaming Expenditure: Evidence from Victoria, Australia” (October 19, 2010), citing . Available online at: <http://stoppredatorygambling.org/site/wp-content/uploads/2012/12/The-Relationship-Between-Crime-and-Electronic-Gaming-Expenditure.pdf>; last accessed February 8, 2021.

LATE

**HB-772**

Submitted on: 2/9/2021 1:31:04 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Donna P. Van Osdol  | Individual          | Oppose                    | No                        |

Comments:

Dear Members of the Committee:

I vehemently oppose any type of casino from being built in Hawaii, much less in Waikiki. Gambling will bring seedy elements (like prostitution and compulsive gamblers) to one of Hawaii's most iconic and beautiful areas: Waikiki Beach. That area has always been known to be a safe haven for all families, residents and visitors, as they enjoy learning how to surf; teaching their keiki how to swim; or just relaxing and admiring the blue water.

**MOST IMPORTANTLY, HAVING A CASINO IN WAIKIKI WILL DRASTICALLY CHANGE THE BRANDING AND IMAGE OF HAWAII'S MOST FAMOUS AND ICONIC BEACH!**

Just as important, this bill discriminates against locals by declaring that only those staying in hotels can gamble.

Let's keep Waikiki, and all of Hawaii, as pristine as possible by not bringing more of the seedy elements to our islands because, unfortunately, we are already dealing with the druggies and mentally ill homeless population. This bill should not pass committee.

Thank you for your time and consideration.

LATE

**HB-772**

Submitted on: 2/9/2021 1:58:55 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| ALICIA SMITH        | Individual          | Oppose                    | No                        |

Comments:

I strongly oppose Casinos and gambling in Hawai'i. Born and raised on O'ahu with Hawaiian koko, the likelihood that this bill is in alignment with Native American Indians and casinos, does not reflect the Hawaiian values of health, work ethics, and family traditions. Hawai'i is not Las Vegas.

In light of the lockdown and the many local businesses that have suffered great loss with many more Native Hawaiians with and without Hawaiian blood relocating to the continent for lack of jobs, I urge this committee to focus its efforts on reopening Hawai'i and its businesses.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE  
GOVERNOR

MIKE MCCARTNEY  
DIRECTOR

CHUNG I. CHANG  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**

Wednesday, February 10, 2021  
9:30 AM  
State Capitol, Conference Room 312

In consideration of  
**HB 772**  
**RELATING TO CASINO GAMING**

Chair Quinlan, Vice Chair Holt and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) is  
in opposition of this bill.

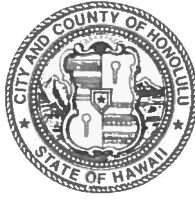
HB 772 grants 10-year license for one-stand alone, members-only casino in  
Waikīkī, not in a hotel, for guests who are 21 years of age or older who stay in a hotel  
on Oahu. The bill also establishes a gaming commission, imposes wagering tax on  
gross receipts and creates a gaming fund and compulsive gambler program.

I am in opposition of this bill because the benefits would not exceed the social  
costs of gambling in the State of Hawai'i. After many years of studying this issue, I don't  
see the economic value to our community.

Thank you for the opportunity to submit testimony.

POLICE DEPARTMENT  
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI  
MAYOR

SUSAN BALLARD  
CHIEF

JOHN D. MCCARTHY  
AARON TAKASAKI-YOUNG  
DEPUTY CHIEFS

OUR REFERENCE PJ-GK

February 10, 2021

The Honorable Sean Quinlan, Chair  
and Members  
Committee on Economic Development  
House of Representatives  
Hawaii State Capitol  
415 South Beretania Street, Room 312  
Honolulu, Hawaii 96813

Dear Chair Quinlan and Members:

SUBJECT: House Bill No. 772, Relating to Casino Gaming

I am Major Phillip Johnson of the Narcotics/Vice Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD opposes House Bill No. 772, Relating to Casino Gaming.

The HPD opposes the legalization of gambling in Hawaii. Numerous studies have confirmed that gambling causes problems such as bankruptcy, theft, embezzlement, suicide, child abuse and neglect, divorce, incarceration, and homelessness. Studies have also demonstrated that gambling schemes are essentially regressive taxes on low-income people, those who can least afford to participate.

The financial burden associated with these problems will far outweigh any benefit realized in the name of community betterment.

The HPD urges you to oppose House Bill No. 772, Relating to Casino Gaming, and thanks you for the opportunity to testify.

APPROVED:

Handwritten signature of Susan Ballard in black ink.

Susan Ballard  
Chief of Police

Sincerely,

Handwritten signature of Phillip Johnson in black ink.

Phillip Johnson, Major  
Narcotics/Vice Division

**HB-772**

Submitted on: 2/10/2021 8:56:21 AM

Testimony for ECD on 2/10/2021 9:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Linda Sansone       | Individual          | Oppose                    | No                        |

Comments:

I oppose...It will attract undesirable and dangerous criminal element as well as the little money left for our citizens will be wiped out most likely! It is NOT SAFE for the People at all, but will only make the filthy rich even richer while wiping out more citizens financially and put them in harms way. This is a very bad idea.