

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

Testimony of  
SUZANNE D. CASE  
Chairperson

Before the Senate Committee on  
WAYS AND MEANS

Wednesday, February 24, 2021  
10:00 AM

State Capitol, Via Videoconference, Conference Room 211

In consideration of  
SENATE BILL 1023, SENATE DRAFT 1  
RELATING TO TAXATION

Senate Bill 1023, Senate Draft 1 proposes to require a fixed amount of the Transient Accommodations Tax (TAT) to be allocated to providing funding for the Bernice Pauahi Bishop Museum and 'Iolani Palace. **The Department of Land and Natural Resources (Department) supports funding cost elements for 'Iolani Palace State Monument and offers the following comments.**

The Department executed a 25-year general lease with the Friends of 'Iolani Palace (Friends) to manage and operate 'Iolani Palace, 'Iolani Palace Barracks (Hale Koa), the Coronation Pavilion and the Kanaina Building. The Department's Division of State Parks (State Parks) regulates and manages the various public special use activities and events of the adjacent four quadrants that comprise the grounds surrounding the buildings, and authorizes events that are managed by the Friends that are a primary source of operating revenue. State Parks also administers and executes capital improvement projects for the buildings and appurtenant structures. The Department of Accounting and General Services performs all the grounds and tree maintenance functions and manages the parking areas surrounding the Palace and oversee the State Archives Building.

The Friends have funded its operations entirely from earned revenues, donations, and grants (both private and government) for such items as salaries & benefits, repair and maintenance, and regular expenses of the Palace such as electricity, heating, ventilation and air conditioning maintenance, water for chillers and a security camera contract. During the pandemic, with the Palace being closed and now visitation by appointment, the earned revenue from visitors and events has almost expired and the Friends have been losing about \$100,000 a month to maintain basic services.

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

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M. KALEO MANUEL  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
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CONSERVATION AND COASTAL LANDS  
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HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

The Department recognizes, that as the only royal palace in the United States, and due to its intrinsic value as a significant historic building, as an iconic symbol for Hawaiian culture, and with a poignant role representing the Hawaiian monarchy, that a stable baseline funding source is greatly warranted. The tourism industry has depicted the Palace as an enticing backdrop for marketing and is a popular tourism venue as well, so the nexus to applying a portion of TAT for the management is sound.

This fixed amount of \$750,000 of the TAT would provide the Friends with a consistent funding source to upkeep the precious and valuable antiquities of Hawai'i's history and the extraordinary building that contains them. This measure is very encouraging and the Department deeply appreciates the interest to add value and more importantly, sustain one of the most iconic features in the State of Hawai'i.

Thank you for the opportunity to comment on this measure.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Earmarks to fund Bishop Museum and Iolani Palace

BILL NUMBER: SB 1023, SD1

INTRODUCED BY: Senate Committees on Energy, Economic Development, and Tourism and Labor, Culture and the Arts

EXECUTIVE SUMMARY: Requires a certain percentage of the transient accommodations tax to be allocated to provide funding for the Bishop Museum and Iolani Palace.

SYNOPSIS: Amends section 237D-6.5, HRS, to add two new earmarks on to the transient accommodations tax. \$750,000 of tax collections are allocated to provide funding for Iolani Palace, and \$1.5 million is allocated to provide funding for Bishop Museum.

Makes technical and conforming changes.

EFFECTIVE DATE: 7/1/2021.

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

Digested 2/22/2021



Testimony of the  
OAHU ECONOMIC DEVELOPMENT BOARD (OEDB)  
**In Support of SB 1023 SD1**  
**Relating to Taxation**

COMMITTEE ON WAYS AND MEANS  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Wednesday, February 24, 2021  
10:00 A.M.  
Conference Room 211 & Videoconference  
State Capitol  
415 South Beretania Street

Aloha,

Iolani Palace is a State Asset (Owned building) that is cared for by the Friends of Iolani Palace. As a State Asset we appreciate that the State Legislature is looking at options to support the much needed maintenance and care to continue to have the Palace be a resource now and into the future.

The significant financial resources to care for the Palace in the past several decades have come primarily from Ticket and Gift shop sales, private contributions and fundraising efforts of the Friends of Iolani Palace, as well as project based grants.

As all businesses the pandemic has revealed how vulnerable Iolani Palace is thru the dependency on tourism and at the same time how so many in Hawaii have a love for the Palace. Truly a wahipana.

As a wahipana for our residents and a significant destination for our visitors it does make absolute sense that a percentage of the Transit Accommodations Tax be dedicated to the maintenance and well-being of the palace and I strongly support SB1023.

Mahalo,

Pono Shim  
CEO, Oahu Economic Development Board  
Chairman, Friends of Iolani Palace





# IOLANI PALACE

*Post Office Box 2259 Honolulu, HI 96804-2259 Telephone (808) 522-0822 FAX (808) 532-1051*

**Testimony of  
PAULA AKANA  
Executive Director**

**Before the Senate Committee on  
Ways And Means (WAM)**

**Wednesday, February 24, 2021  
10:00 PM**

**State Capitol, Conference Room 211 & Videoconference**

**In Consideration of  
SENATE BILL 1023 SD1**

**RE: Testimony in SUPPORT of SB1023, Relating to Taxation**

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Committee Members,

I am Paula Akana, Executive Director of The Friends of Iolani Palace. We strongly support SB 1023, SD1.

For more than a half a century, The Friends of Iolani Palace (FOIP) has taken on the kuleana to malama this wahi pana. FOIP has carefully worked to restore, repair and protect Iolani Palace. We have shared her story and the story of Hawaii's monarchs with people from Hawaii and around the world, and with thousands of Hawaii school children annually.

Our revenues come from ticket and gift shop sales, memberships and donations. It all stopped on March 19, 2020, when we were forced to close our doors due to the Pandemic. We cut our salaries and terminated nearly half our staff. These tough cuts, along with the aloha from the community have helped us to keep our doors open today. However, we are only bringing in about 15% of our pre-COVID-19 revenues and are running a deficit of \$60,000-\$100,000 each month. We have estimated funds to last us through this fiscal year.

The \$750,000 from the TAT would help our organization immensely. It would be the lifeline we need to remain open to share the poignant history of Hawaii with the world.

Under HRS 6E-35, we received the official designation of the State of Hawaii Museum of Monarchy History. We mahalo you for this bill. We also hope we can begin the discussion to provide Iolani Palace with dedicated funding through the State Budget. We strongly urge the PASSAGE of SB 1023, SD1.

Aloha,

Paula Akana

**SB-1023-SD-1**

Submitted on: 2/23/2021 9:46:48 AM

Testimony for WAM on 2/24/2021 10:00:00 AM

| <b>Submitted By</b> | <b>Organization</b>                         | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---|---------------------------|---------------------------|
| Mark T. Shklov      | Testifying for The Friends of Iolani Palace | Support                   | No                        |

Comments:

**Testimony of Mark T. Shklov in Support of Senate Bill 1023 SD1**

My name is Mark T. Shklov.

I am a Hawaii Lawyer and a Member of The Board of Directors of The Friends of Iolani Palace.

The Friends of Iolani Palace is the non-profit corporation whose Purpose is “to preserve, restore, interpret, share and celebrate the unique cultural, historical, and spiritual qualities of Iolani Palace and its grounds for the benefit of and to serve Native Hawaiians, the People of Hawaii, and the World”.

I strongly support Senate Bill 1023 SD1.

Iolani Palace is the iconic representation of Hawaii’s culture and Aloha for all people. Iolani Palace has been designated The State of Hawaii Museum of Monarchy History and a National Historic Landmark.

Iolani Palace has been and can continue to be a positive focal point for all of Hawaii and the World. Despite all the problems facing Hawaii and the World today, if we think about humanity’s future, Iolani Palace can continue to be a source of inspiration and friendship for all of us and generations to come, if it is properly maintained.

Friends of Iolani Palace depend on money raised from ticket and gift shop sales, donations, and events to pay for its operations and to maintain this very special place. Covid-19 Pandemic has devastated the finances of The Friends of Iolani Palace. SB 1023 would provide Iolani Palace a portion of the Transient Accommodation Tax, which would help to sustain this beautiful physical representation of Aloha.

If Iolani Palace is properly preserved, restored, and protected, it can provide inspiration to Hawaii’s people into the future. Iolani Palace is a unique asset that will continue contributing to the people of Hawaii and the world if it is appreciated and cared for. Iolani Palace can represent the Aloha Spirit and the welcoming friendship of Hawaiian culture, if it is properly preserved, restored, and protected.

Mahalo,

Mark T. Shklov



**Before the Senate Committee on  
Ways and Means (WAM)**

**Wednesday, February 24, 2021  
10:00 AM**

**State Capitol, Conference Room 211 via Video Conference**

**In Support of  
SENATE BILL 1023 SD1  
RELATING TO IOLANI PALACE AND BISHOP MUSEUM**

Senator Dela Cruz, Chair  
Senator Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

RE: Testimony in SUPPORT of SB1023 SD1, Relating to Taxation

The listed organizations write in SUPPORT of SB1023, HD1, which would allocate \$750,000 to provide funding for Iolani Palace and \$1,500,000 to provide funding for Bishop Museum from the Transient Accommodations Tax.

Both Iolani Palace and Bishop Museum have deep roots in Hawai'i's history and continue to inspire and educate our communities, Hawai'i, and the world. These wahi pana have witnessed the tide and time of change in Hawai'i and have aged over the many years. Much needed repairs and staff are needed to ensure that they forever



remain for the people of Hawai`i. Iolani Palace and Bishop Museum represent the very best of us. We are resilient, we are grounded, and we are Hawaiian.

We humbly ask that you support this bill and urge the Committee to PASS SB1023 SD1.

Mahalo piha!

## Background Information

**Iolani Palace** was the official residence for Hawaii's last reigning monarchs. It was also the capitol building for the Republic, Territory, and eventually the State of Hawaii. Iolani Palace represents a poignant time in Hawaii's past that inspires our people as they look to the future.

For more than a half a century, The Friends of Iolani Palace have restored, repaired and protected the Palace. They have shared the story of Hawaii's monarchs with Hawaii's residents, school children and visitors from around the world. Their revenues come from ticket and gift shop sales, as well as memberships and donations. The pandemic devastated the organization. This bill would provide much needed funding for them to continue their work to ensure this important historic site is around for generations to come.

**The Bishop Museum** stewards more than 25 million catalogued objects, and actively generates and shares knowledge associated with its collections. Its work supports over 50 state and federal government agencies, departments, and affiliated organizations; and without whom many basic questions concerning Hawaii's people, plants, and animals could not be answered with efficiency and confidence. The collections include over 1.2 million cultural artifacts, representing Native Hawaiian, Pacific Island, and Hawai'i immigrant life; more than 125,000 historical publications, including many in the Hawaiian language; 1 million historical photographs, films, works of art, and publications; and over 22 million plant and animal specimens.

Museum researchers have discovered over 17,000 species of plants, animals, and insects throughout the Pacific region, and have made countless discoveries related to the migration, settlement, and daily life of Pacific peoples. The Museum's educational programs provide science and cultural education opportunities to thousands of Hawai'i's schoolchildren each year, and it is estimated that the Museum has hosted more than 10 million visitors over its history.

**LATE**



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Ihilani Guitierrez

22. February 2021

The Honorable Members of the Senate Committee on Ways and Means  
Hawaii State Capitol  
Honolulu, Oahu, Hawaii 96813

- **MEETING IN HONOLULU on February 24, 2021: Senate Bill 1023 SD1, Relating to Taxation**
- **TESTIMONY IN SUPPORT OF THE PROPOSED SENATE BILL 1023SD1**

The Hawai'i Museums Association and its members are too well aware of the tenuous funding of both the 'Iolani Palace and the Bernice Pauahi Bishop Museum, as well as our other institutional members in normal times, and even more so in the last year. We believe that the proposed measure will provide a stable funding base for the Museum and the Palace which appropriately recognize their places in the history of our islands.

We know that the Bishop Museum's collection includes over one million cultural artifacts representing Native Hawaiian, Pacific Island, and Hawaii immigrant life. We are well aware that the Museum offers science and cultural educational programs to thousands of Hawaii's schoolchildren each year and through its work actively supports tourism and economic development.

We recognize that the Iolani Palace is the only royal palace in the United States and due to its intrinsic value as a significant historic building, it serves a poignant role representing the Hawaiian monarchy. We know that the tourism industry has depicted Iolani Palace as an enticing backdrop for marketing and that the Palace is a popular tourism venue.

Like all our member institutions, we also recognize that during the COVID-19 pandemic, both the Bishop Museum and Iolani Palace have suffered a substantial loss of revenue due to the lack of visitors and events. We believe that applying a fixed amount annually of the Transient Accommodations Tax to the Bishop Museum and Iolani Palace will provide a stable funding source for their continued operation and enable the preservation of the valuable and precious antiquities of Hawaii's history.

We ask your strong support for the proposed Senate Bill 1023 SD1, which will provide a fixed annual amount of \$ 750,000 to 'Iolani Palace and \$ 1,500,000 to the Bernice Pauahi Bishop Museum as priorities 1 and 2 of the allocations from the Transient Accommodation Tax.

Most Sincerely,

Lisa Solomine,  
President of Hawai'i Museums Association, and the entire Board

**LATE**

Aloha WAM committee members,

February 23, 2021

I **strongly support** SB 1023 SD1, which would give unrestricted funds to Iolani Palace.

For nearly 55 years it has been the kuleana of The Friends of Iolani Palace to restore, repair and protect the palace, and to share her remarkable story with Hawaii and the world. Their funding has come from ticket and gift shop sales, as well as memberships and donations.

The pandemic has devastated the finances of this 501 C3. If passed, SB 1023 would give the Palace a portion of the Transient Accommodation Tax. It is only fitting that some of the money raised from visitors to the islands would go to help them to continue their mission of caring for this wahi pana, or special place.

Mahalo nui,

Soulee LKO Stroud

**SB-1023-SD-1**

Submitted on: 2/22/2021 4:49:34 PM

Testimony for WAM on 2/24/2021 10:00:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Kawena Beupre       | Individual          | Support                   | No                        |

Comments:

I strongly support SB 1023 SD1 which would give unrestricted funds to Iolani Palace.

For nearly 55 years it has been the kuleana of The Friends of Iolani Palace to restore, repair and protect the palace, and to share her remarkable story with Hawaii and the world. Funding has come from ticket and gift shop sales as well as memberships and donations.

The pandemic has devastated the finances of this 501 C3. If passed, SB 1023 would give the Palace a portion of the Transient Accommodation Tax. It is only fitting that some of the money raised from visitors to the islands would go to help them to continue their mission of caring for this historical treasure.

**SB-1023-SD-1**

Submitted on: 2/22/2021 5:39:40 PM

Testimony for WAM on 2/24/2021 10:00:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Gerard K Akaka      | Individual          | Support                   | No                        |

Comments:

Aloha, I am Gerard Akaka, MD.

I strongly support SB 1023 SD1, that would give unrestricted funds to Iolani Palace.

For nearly 55 years it has been the kuleana of The Friends of Iolani Palace to restore, repair and protect the palace, and to share her remarkable story with Hawaii and the world. Their funding has come from ticket and gift shop sales, as well as memberships and donations.

The pandemic has devastated the finances of this 501 C3. If passed, SB 1023 would give the Palace a portion of the Transient Accommodation Tax. It is only fitting that some of the money raised from visitors to the islands would go to help them to continue their mission of caring for this wahi pana, or special place.

Mahalo nui,

Gerard

**LATE**

Aloha,

My name is Billy Pieper, SVP American Savings Bank and a friend of Iolani Palace.

I strongly support SB 1023 SD1 that would give unrestricted funds to Iolani Palace.

For nearly 55 years it has been the kuleana of The Friends of Iolani Palace to restore, repair and protect the palace, and to share her remarkable story with Hawaii and the world. Their funding has come from ticket and gift shop sales, as well as memberships and donations.

The pandemic has devastated the finances of this 501(c)3. If passed, SB 1023 would give the Palace a portion of the Transient Accommodation Tax. It is only fitting that some of the money raised from visitors to the islands would go to help them to continue their mission of caring for this wahi pana, or special place.

Mahalo nui,

Billy Pieper

**SB-1023-SD-1**

Submitted on: 2/23/2021 9:12:25 PM

Testimony for WAM on 2/24/2021 10:00:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Brian Kealoha       | Individual          | Support                   | No                        |

Comments:

I strongly support SB 1023 SD1, that would give unrestricted funds to Iolani Palace.

For nearly 55 years it has been the kuleana of The Friends of Iolani Palace to restore, repair and protect the palace, and to share her remarkable story with Hawaii and the world. Their funding has come from ticket and gift shop sales, as well as memberships and donations.

The pandemic has devastated the finances of this 501 C3. If passed, SB 1023 would give the Palace a portion of the Transient Accommodation Tax. It is only fitting that some of the money raised from visitors to the islands would go to help them to continue their mission of caring for this wahi pana, or special place.



**SB-1023-SD-1**

Submitted on: 2/23/2021 9:14:49 PM

Testimony for WAM on 2/24/2021 10:00:00 AM

**LATE**

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Angus Raff-Tierney  | Individual          | Support                   | No                        |

Comments:

Aloha , I support SB1023 SD1 for the Bishop Museum and Iolani Palace, which requires a fixed amount of the transient accommodations tax to be allocated to provide funding for the Bernice Pauahi Bishop Museum and Iolani Palace. This bill would ensure consistent funding of these important stewards of our State's heritage.

In addition, The Bishop Museum has collections that are internationally significant in addition to being hugely significant to the state of Hawaii. It plays an instrumental role in bringing international researchers to Hawaii to do research that then has a global impact.