



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

CHRIS J. SADAYASU
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEES ON TOURISM AND ECONOMIC DEVELOPMENT

Thursday, March 16, 2023
9:45 AM
State Capitol, Conference Room 423

In consideration of
SB1522, SD2
RELATING TO ECONOMIC DEVELOPMENT.

Chairs Quinlan and Holt, Vice Chairs Hussey-Burdick and Lamosao, and members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on SB1522, SD2, which establishes an Office of Tourism and Destination Management within DBEDT that encompasses regenerative tourism and best practice destination management and transfers the functions, duties, appropriations, and positions of the Hawai'i Tourism Authority to the Office of Tourism and Destination Management and appropriates funds.

DBEDT acknowledges the positive and negative impacts of tourism and affirms its commitment to regenerative tourism, destination management, and the implementation of the destination management action plans for each island. The Department will collaborate with the Committee should it be determined that the Office of Tourism and Destination Management will be established and will participate in any discussions related to its role and responsibilities.

Thank you for the opportunity to comment on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1522, S.D.2, Relating to Economic Development

BEFORE THE:

House Committee on Tourism and House Committee on Economic Development

DATE: Thursday, March 16, 2023

TIME: 9:45 a.m.

LOCATION: State Capitol, Room 423

Chairs Quinlan and Holt, Vice-Chairs Hussey-Burdick and Lamosao, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1522, S.D.2, for your consideration.

S.B. 1522, S.D.2, dissolves the Hawaii Tourism Authority (HTA), and in its place establishes an Office of Tourism and Destination Management (OTDM), which will be governed by a newly created nine-member board of directors consisting of a member from each county within the State, and members of the following industries: hospitality, airline, and retail, as well as a member with a background in Hawaiian culture, and a member with a background in agriculture. The bill transfers the functions, duties, appropriations, and positions of HTA to OTDM. It also requires OTDM to implement certain county destination management action plans.

In section 2 of the bill, on page 24, lines 1 through 11, section 201-K, Hawaii Revised Statutes (HRS), exempts all revenues and receipts derived by OTDM from any project or a project agreement or other agreement pertaining thereto from all state taxation.

Section 10 of the bill, on pages 45 to 46, amends section 237-24.75(2), HRS, which exempts amounts received by the operator of the Hawaii Convention Center for

Department of Taxation Testimony
S.B. No. 1522, S.D.2
March 16, 2023
Page 2 of 2

reimbursement of costs or advances made pursuant to a contract with HTA under section 201B-7, by replacing the references to HTA and section 201B-7 with references to OTDM and section 201-C(c).

Section 11 of the bill, on page 47 to 49, amends section 237D-6.5, HRS, which allocates revenues from the transient accommodations tax, by referencing the new statutory provisions under which the Turtle Bay conservation easement special fund, the convention center enterprise special fund, the tourism emergency special fund, and the special land and development fund are funded.

The bill has a defective effective date of January 6, 2050; provided that sections 19 through 21 shall take effect on July 1, 2023; further provided that changes made to section 237D-6.5, HRS, shall not be repealed when that section is repealed and reenacted on June 30, 2023, pursuant to section 5 of Act 229, Session Laws of Hawaii 2021.

The Department is able to administer the tax provisions in this bill with an appropriate effective date.

Thank you for the opportunity to provide comments on this measure.



Ke'ena Kuleana Ho'okipa O Hawaii'i
Hawaii'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawaii'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
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Josh Green, M.D.
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES
Hawaii'i Tourism Authority
before the
COMMITTEES ON TOURISM AND ECONOMIC DEVELOPMENT

Thursday, March 16, 2023
9:45 a.m.
State Capitol Conference Room 423 & Videoconference

In consideration of
SENATE BILL NO. 1522 SD2
RELATING TO ECONOMIC DEVELOPMENT

Aloha Chairs Quinlan and Hold, Vice Chairs Hussey-Burdick and Lamosao, and Members of the Committees on Tourism and Economic Development,

The Hawaii'i Tourism Authority (HTA) appreciates the opportunity to offer comments on SB1522 SD2, which would replace HTA with an Office of Tourism and Destination Management within the Department of Business, Economic Development, and Tourism.

Over the past three years, Hawaii'i experienced and survived a massive economic collapse thanks to a coordinated effort between the private and public sectors. In concert with our partners and stakeholders, and led by our volunteer board of directors with a wealth of industry and community experience, HTA has been guiding and supporting the recovery of our tourism industry which has helped resuscitate Hawaii'i's overall economy ahead of projections.

Tourism is a major contributor of tax revenues to fund important state priorities. In 2022, preliminary numbers show that Hawaii'i topped the previous high water mark 2019 in visitor spending (\$19.3 billion, +8.9%) and state tax revenue (\$2.21 billion, +6.2%) with fewer visitor arrivals (9.25 million, -11%).

It is important to note that this strong recovery was primarily powered by the U.S. market, where HTA has maintained continuity in our visitor education, brand management, and support services even through the contested process to procure the next contract for that market. Procurements for U.S. brand management and visitor education, as well as support services for destination stewardship, are ongoing at this time.

In addition to HTA's spending-related key performance indicators, we also track visitor satisfaction and resident sentiment. Both measures are trending in the right direction.

HTA's message to prospective visitors around the world is **Mālama Hawai'i**: an invitation for them to join kama'āina in caring for our beloved home. Setting that intention and expectation, combined with robust visitor education through all stages of the journey, is our strategy to target and welcome visitors who prioritize the environment and being mindful guests – all key to achieving our goal of a regenerative model of tourism through destination management.

We recognize that the impacts of tourism are real and require management. As Hawai'i emerges from the pandemic, HTA continues its pivot to destination management initiated just before the onset of the pandemic. The pivot started with the adoption of our current strategic plan, and was further refined in the community-generated Destination Management Action Plans for each island.

The Council on Revenues and University of Hawai'i Economic Research Organization agree that a softening global economy could have negative impacts for Hawai'i. Ahead of making major structural changes to the agency responsible for managing Hawai'i's visitor industry – an agency that is delivering results – studying alternative models of tourism governance would be a valuable, prudent approach to consider.

We look forward to the vigorous debate this measure is likely to inspire before your committees, and we appreciate the opportunity to offer these comments on SB1522 SD2. Mahalo.



March 13, 2023

Representative Sean Quinlan, Chair
Representative Natalia Hussey-Burdick, Vice-Chair
House Committee on Tourism
Representative Daniel Holt, Chair
Representative Rachele Lamosao, Vice-Chair
House Committee on Economic Development

Comments on SB1522 SD2

Dear Chair Quinlan, Vice Chair Hussey-Burdick and Members of the House Committee on Tourism, and Chair Holt, Vice-Chair Lamosao and Members of the House Committee on Economic Development,

Thank you for the opportunity to comment on SB1522 SD2.

During the 25 years since the Hawaii Tourism Authority (HTA) was established in 1998, it has focused on 9 key initiatives including: destination marketing and branding worldwide, touting the unique attributes of our islands, in partnership with each island's visitors bureau chapter; the development of community product enrichment programs to introduce visitors to the traditions and programs our residents value; sporting events which attract competitors and fans from around the world; community festivals and events; Hawaiian cultural and preservation programming; natural resources support; tourism workforce development programming; visitor safety and security; and data collection.

Each island also brought together a broad collective of community members to create the Destination Management Action Plans, which continue to be stewarded by community leaders representing for-profit, non-profit, and community based organizations. Their time, energy and efforts should not be thrown away as a new structure is determined.

As currently written, we do not believe that SB1522 SD2 thoroughly addresses how the state will support:

- Global marketing in partnership with each island's visitors bureau including the Island of Hawaii Visitors Bureau
- Visitor safety and security through organizations like the Visitor Aloha Society of Hawaii (VASH) Hawaii Island
- Tourism workforce development through organizations like ClimbHI
- Community product enrichment programs, festivals, sports and events
- Environmental stewardship projects taken on in partnership with natural resources non-profit organizations
- Native Hawaiian cultural stewardship projects taken on in partnership with cultural organizations

As the Hawaii State Legislature continues to debate which agency should be charged with leading the efforts of the visitor industry as a whole, there are serious ramifications at the community level. Essential community organizations that rely on the continuity of the funding they receive from HTA in order to deliver critical services to support the health and stability of the state's visitor industry are left scrambling to fill voids due to funding cuts, leadership changes, and uncertainty. In the end, everyone suffers. Please recognize that these on-island relationships are critically important to the ongoing health and vitality of our industry overall and have taken decades to nurture and develop.

Sincerely,

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

Stephanie Donoho, Administrative Director

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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
House Committee on Economic Development
Senate Bill 1522, SD2
March 16, 2023

Chair Quinlan, Chair Holt, and members of the Committees, mahalo for the opportunity to provide comments on behalf of the Hawai'i Lodging & Tourism Association, the state's oldest and largest private sector visitor industry organization—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers.

In comments we provided when this measure was before the Senate—and despite the fact that HLTA has an excellent relationship with the Hawai'i Tourism Authority—we noted that it is clear that our statewide community desires a frank discussion regarding HTA, its duties, governance, and the role it should fulfill going forward. We feel strongly that this conversation is warranted, and it should encompass all of HTA's duties including destination management as well as visitor marketing—and that the legislative process should be allowed to play out. We further feel that this discussion is one that should be held as transparently as possible.

We must also make clear our position that funding must be included in these discussions. No matter what emerges from this process, the entity charged with overseeing the State's tourism responsibilities must have funding adequate to maintain the priorities currently encompassed by HTA's four "pillars". These include natural resources, Hawaiian culture, community, and brand marketing, with each pillar having specific goals that should tie together to form a tourism sector that is as amenable to residents as it is profitable for the local economy.

Creating a new tourism agency and not providing adequate funding will hamstring the entity during its nascency and will also negatively impact myriad community organizations, programs, and initiatives that are supported by HTA in various ways.

Mahalo for the opportunity to offer these comments.



Maui Hotel & Lodging ASSOCIATION

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association

House Committee on Tourism
House Committee on Economic Development
Senate Bill 1522 SD2: Relating to Economic Development

March 16, 2023, 9:45 am
Conference Room 423

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry for Maui County. We represent over 180 property and allied business members and 22,000 employees. **MHLA offers comments for Senate Bill 1522 SD2**, which establishes an Office of Tourism and Destination Management within the Department of Business, Economic Development, and Tourism that encompasses regenerative tourism and best practice destination management. Transfers the functions, duties, appropriations, and positions of the Hawaii Tourism Authority to the Office of Tourism and Destination Management. Requires the Office of Tourism and Destination Management to implement certain county destination management action plans. Dissolves the Hawaii Tourism Authority and the Board of Directors for the Hawaii Tourism Authority.

MHLA is concerned with the discussions about dismantling the current structure of our State's Tourism Authority and ceasing tourism marketing efforts. The beginnings of the Transient Accommodation Tax (TAT) go all the way back to the summer of 1985, when the industry took it upon itself to introduce a measure that called for a hotel room tax with the proceeds of the tax earmarked for the building of a convention center and increased promotion of tourism. Hawaii State TAT is now at 10.25%, and in FY22 generated \$830,056,000¹, with the majority going into the State General Fund. Without funding for marketing efforts, which can include educational messaging, we can likely expect a decrease in tourism dollars, which would impact the annual TAT revenues.

Additionally, we support continuing efforts for the State's Destination Management Plans. (DMAP). MHLA recognizes that Hawaii's tourism needs greater management coordination with private and public stakeholders and serves on Maui County's DMAP Steering Committee. We would like to see the action items set forth to be able to continue along with the many alliances already established with stakeholders and government agencies.

MHLA respectfully submits these comments for your consideration for Senate Bill 1522 SD2.

¹ <https://dbedt.hawaii.gov/economic/qser/tax-revenues/>



Maui Hotel & Lodging
ASSOCIATION

Thank you for the opportunity to provide this testimony.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEES ON
TOURISM and ECONOMIC DEVELOPMENT
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423
THURSDAY, MARCH 16, 2023 AT 9:45 A.M.**

To The Honorable Sean Quinlan, Chair
The Honorable Natalia Hussey-Burdick, Vice Chair
Members of the Committee on Tourism
To The Honorable Daniel Holt, Chair
The Honorable Rachele F. Lamosao, Vice Chair
Members of the Committee on Economic Development

COMMENTING ON SB1522 SD2 RELATING TO THE LABELING OF PRODUCTS

The Maui Chamber of Commerce offers **comments on SB1522 SD2** which establishes an Office of Tourism and Destination Management within the Department of Business, Economic Development, and Tourism that encompasses regenerative tourism and best practice destination management; transfers the functions, duties, appropriations, and positions of the Hawai'i Tourism Authority to the Office of Tourism and Destination Management; requires the Office of Tourism and Destination Management to implement certain county destination management action plans; and dissolves the Hawai'i Tourism Authority and the Board of Directors for the Hawai'i Tourism Authority.

The Chamber understands that Hawai'i's tourism industry must change. The community has long expressed concerns about the impacts of tourism to our communities, the environment, and our local lifestyle and sense of place. In response, HTA created the Destination Management Action Plans (DMAP) that involved community participation and feedback and focused on a new regenerative model for the visitor industry. We participated in the Maui Nui DMAP plan and appreciated the work that the participants put into the plan. It is one of the planning processes we have been a part of that when they say they will give quarterly updates, they actually do give the updates. The HTA DMAP workgroups continued to have a high level of engagement.

While we appreciate that the intent of SB1522 is to advance the transformation of Hawai'i's chief economic driver, we worry that overhauling the state's entire tourism support system will actually be counterproductive. We understand the concerns regarding the administration of the two previous RFPs for marketing and destination management. We agree that policy improvements are merited. However, dismantling the state entity leading the change will only slow progress at this pivotal moment for the industry.

HTA also has significant relationships built nationally and internationally. The Chamber is concerned that this drastic change may reduce the momentum on the DMAPs and move toward regenerative tourism. This change could also hurt those relationships that took so long to build.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**Testimony on SB1522 SD2
Page 2.**

Before this drastic step is taken, we feel it is important to convene a forum of key statewide stakeholders and have an open dialogue with the public where meaningful discussions can take place to address community concerns, structural issues, new opportunities, and new ways of reaching markets to find winning and sustainable solutions.

There was also great collaboration through the creation of the DMAPs and that could be broadened to garner additional input and look at other fixes. It is difficult to not be concerned about such a drastic shift where we could lose significant momentum without a very detailed plan in place.

Thank you for the opportunity to offer **comments on SB1522 SD2**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

SB-1522-SD-2

Submitted on: 3/13/2023 10:33:14 AM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Diann Karin Lynn	Individual	Comments	Written Testimony Only

Comments:

Please give HTA a (funded) bye this year. The economy and social / cultural opinions on tourism and managing the visitor industry (including the Japanese market, assuming it returns) are still in tumult post-covid. The opinion from this regular citizen is that this is not the right time to throw the baby out with the bathwater.

SB-1522-SD-2

Submitted on: 3/13/2023 11:21:07 AM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Murakami Akatsuka	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose SB 1522, SD 2 and ask that it be deferred. Before making major structural changes to the Hawaii Tourism Authority, the completion of a study on alternative models of tourism should be taken.

Thank you for the opportunity to testify in strong opposition of SB 1522, SD 2.

SB-1522-SD-2

Submitted on: 3/15/2023 7:13:11 AM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Stacey Ann L. Casco	Individual	Support	Written Testimony Only

Comments:

I support this measure to dissolve the Hawai'i Tourism Authority and the Board of Directors for the Hawai'i Tourism Authority. Destination management should encompass sustainable standards for travel and tourism, such as those established by the Global Sustainable Tourism Council (GSTC).

SB-1522-SD-2

Submitted on: 3/15/2023 7:20:29 AM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Barry Solomon	Individual	Support	Written Testimony Only

Comments:

SB-1522

Submitted on 3/15/2023

Submitted by	Organization	Testifier Position	Testify
Barry Solomon, PhD	Member, Maui County Sustainable Tourism Subcommittee	Support	Written Testimony Only

I strongly support the passage of SB1522, which would repeal the Hawaii Tourism Authority (HTA) and replace it with a new Destination Management Agency that includes visitor educational and Hawaiian cultural components, and focuses on regenerative tourism. Frankly, this action is long overdue as the HTA no longer serves a useful public purpose. Too many people already want to visit Hawaii on their own accord, and they do not need the HTA to encourage them. Over-tourism is damaging our lands and waters and the wellbeing of our people. In fact, Fodor’s Travel in January 2023 put Maui on its “No List” of places tourists may want to avoid in 2023 due to the problems caused by and ill effects of over tourism and our water problems. What is needed now is a management organization that will promote sustainable and regenerative tourism policies and practices in Hawaii, which I would like to see meet the criteria and standards of the Global Sustainable Tourism Council, the gold standard for sustainable tourism internationally.

SB-1522-SD-2

Submitted on: 3/15/2023 8:24:00 AM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Scott Young MD	Individual	Support	Written Testimony Only

Comments:

SUPPORT , WE NEED MANAGEMENT NOT MARKETING, WE NEED QUALITY OVER QUANTITY TOURISM! GENESIS S. YOUNG MD

SB-1522-SD-2

Submitted on: 3/15/2023 1:11:40 PM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
Darla Palmer	Individual	Support	Remotely Via Zoom

Comments:

RE: SB1522 SD2

Aloha Legislators;

So many places in Hawaii we enjoyed in our youth are no longer available to visit because they have been overrun, abused and ultimately shut down due to over-tourism. The aina and kai still suffer. I fully support SB1522 SD2 to dissolve the Hawaii Tourism Authority and focus on destination management. This must be done now, before we reach the awful tipping point where the environment continues to be irreparably harmed, we lose our local population and more of our workforce, tourists decide Hawaii is undesirable, and we regret not creating sustainable practices that honor Hawaii's history, culture and communities.

When we stop marketing tourism, tourism does not go away. However, by shifting the emphasis to destination management, we can fill huge service gaps and improve liveability for residents. For example, the Kanaka Rangers program could be supported, a Hawaiian led program which helps tourists understand culturally appropriate behaviour. Many of the State and County enforcement services related to tourism could be adequately staffed and funded, as well as help fund county based Historic Preservation officers who could actively provide public information and monitor historic and cultural sites throughout the islands. All new or extensively remodeled hotel and vacation accommodations could be compelled to be carbon neutral. These are just a few examples, but the point is, no agency keeps overall watch on the ground. HTA, Activity and Hotel Associations run in the same self-serving, murky water where millions in public funds and grant money dissipate into thin air with very little accountability.

In addition to reviewing our own issues and solutions here at home, DBET would have an opportunity to neutrally study and adopt regenerative tourism and destination management best practices from other island communities, such as Palau, or through island focused resources such as Island Innovation (<https://islandinnovation.co/>), something HTA did not accomplish over years of talking. "Community Plans" were heavily influenced by tourism entities. Even though we had an excellent opportunity over COVID-19 to reset and make a new plan for better tourism management, the focus was bringing back tourism to pre-pandemic levels. Well, I guess HTA succeeded on one of their initiatives- we bounced back, as overcrowded as ever.

SB1522 also includes opportunities for economic development. We talk but don't take significant action over non-tourism economic development, though opportunities are abundant, especially in

green industries. Finally, and most significantly, the clock is ticking on climate change actions that must occur globally, so minimizing the carbon footprint of tourism is a critical consideration. It is time for a change and true shift of focus from marketing to better management.

Respectfully,
Darla Palmer (Ellingson)
Haiku, Maui, Hawaii

SB-1522-SD-2

Submitted on: 3/16/2023 9:45:52 AM

Testimony for TOU on 3/16/2023 9:45:00 AM

Submitted By	Organization	Testifier Position	Testify
james pirtle	Individual	Oppose	Written Testimony Only

Comments:

I opose this bill. The legislature is not lawfully elected thus does not have the authority to enact laws and bills. All actions are treason against the United States of America.