



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKA'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
**SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
AND PUBLIC SAFETY AND INTERGOVERNMENTAL AND MILITARY AFFAIRS**

Tuesday, March 21, 2023
1:00 PM
State Capitol, Conference Room 229

In consideration of
HB1375, HD3
RELATING TO TOURISM.

Chairs DeCoite and Wakai, Vice Chairs Wakai and Elefante, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on HB1375, HD3, which establishes a destination management agency, including its director and commission, and tourism special fund and county assistance special fund.

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 Committees should it be determined that a destination management agency will be established and will participate in any discussions related to its potential role and responsibilities.

Thank you for the opportunity to comment on this measure.



Ke'ena Kuleana Ho'okipa O'Hawai'i
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii tourismauthority.org

Josh Green, M.D.
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES
Hawai'i Tourism Authority
before the
**COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM AND
PUBLIC SAFETY AND INTERGOVERNMENTAL AND MILITARY AFFAIRS**

Tuesday, March 21, 2023
1:00 p.m.
State Capitol Conference Room 229 & Videoconference

In consideration of
**HOUSE BILL NO. 1375 HD3
RELATING TO TOURISM**

Aloha Chairs, Vice Chairs, and Members of the Committees,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments expressing our **strong reservations** on HB1375 HD3, which would establish a new destination management agency to assume the rights, powers, functions, and duties of HTA.

A fragile recovery of Hawai'i's visitor industry is still ongoing – especially in our international markets – and the Council on Revenues and the University of Hawai'i Economic Research Organization agree that larger economic uncertainty looms on the horizon. While we acknowledge the challenges we have experienced in the past and continue to work to strengthen our processes, we encourage a reconsideration of making major structural changes to the agency responsible for managing Hawai'i's visitor industry as described in this measure.

The Hawai'i Tourism Authority is committed to destination management and has initiated organizational changes to reflect that commitment. A return to dedicated funding from the Transient Accommodations Tax as described in this measure would be helpful in advancing destination management following the budgetary uncertainties HTA faced during the pandemic and continues to face.

Over the past three years, Hawai'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 Hawai'i's overall economy ahead of projections.

Tourism is the largest sector of Hawai'i's economy, and therefore a major contributor of tax revenues to fund important state priorities. In 2022, preliminary numbers show that Hawai'i tourism 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.

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.

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 expressing our **strong reservations** on HB1375 HD3. Mahalo.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

LATE

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. 1375, H.D.3, Relating to Tourism

BEFORE THE:

Senate Committee on Energy, Economic Development, and Tourism and
Senate Committee on Public Safety and Intergovernmental and Military Affairs

DATE: Tuesday, March 21, 2023

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 229

Chairs DeCoite and Wakai, Vice-Chairs Wakai and Elefante, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1375, H.D.3, for your consideration.

H.B. 1375, H.D.3, establishes the Destination Management Agency ("Agency"), a body corporate and a public instrumentality of the State headed by the Destination Management Commission ("Commission").

Section 1 of the bill, on page 21, lines 16 through 19, exempts all revenues and receipts derived by the Agency from any project, or a project agreement, or other agreement pertaining thereto from all state taxation.

Section 8, on page 43 of the bill, exempts amounts received by the operator of the Hawai'i convention center for reimbursement of costs or advances made pursuant to a contract with the Agency from general excise tax.

Section 9, beginning on page 44 of the bill, amends section 237D-6.5, Hawaii Revised Statutes (HRS), by allocating an unspecified amount in transient accommodations tax (TAT) revenues to a newly-created tourism special fund, of which:

1. An unspecified amount shall be deposited into the newly-created County Assistance Special Fund;
2. An unspecified amount shall be allocated for the operation of a Hawaiian center

- and the museum of Hawaiian music and dance;
3. An unspecified percent shall be transferred to a subaccount in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawai'i tourism strategic plan 2005-2015;
 4. Any remaining funds, except for sums authorized by the Legislature for expenditure from revenues subject section 237D-6.5(b)(2), HRS, shall be deposited into the newly-created tourism emergency special fund in a manner sufficient to maintain a fund balance of an unspecified amount.

The measure has a defective effective date of June 30, 3000.

The Department notes that it is able to administer the tax provisions in sections 1 and 8 of this bill upon approval; but suggests that section 9 of the bill, relating to the allocation of TAT revenues, be made effective on July 1, 2023.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, GENERAL EXCISE, Replace Hawaii Tourism Authority with Destination Management Agency

BILL NUMBER: HB 1375 HD 3

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Establishes the powers, duties, and responsibilities of the destination management agency, including its director and commission. Establishes the tourism special fund and county assistance special fund, to receive allocations from transient accommodations tax revenue. Repeals the Hawai'i tourism authority.

SYNOPSIS: As related to the tax laws:

Amends section 237-24.75, HRS, to substitute the new agency for the HTA in paragraph (2).

Amends section 237D-6.5, HRS, to alter the earmarks on the transient accommodations tax as follows:

- Earmarks [unspecified amount] to the tourism special fund. Of the [unspecified amount]:
 - [unspecified amount] into the county assistance special fund for matching county funds used in destination management plans.
 - [unspecified amount] is for the operation of a Hawaiian center and the museum of Hawaiian music and dance.
 - [unspecified amount] is to be transferred to a sub-account to fund a safety and security budget.
 - Funds will be deposited into the tourism emergency special fund sufficient to keep that fund at a [unspecified amount] balance.

Makes technical and conforming amendments.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: Our comments will be limited to the effect on the tax laws from the amendment to section 237D-6.5, HRS.

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: 3/17/2023



Maui Hotel & Lodging ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

Senate Committee on Energy, Economic Development, and Tourism
Senate Committee on Public Safety and Intergovernmental and Military Affairs

House Bill 1375, HD3: Relating to Tourism

March 21, 2023, 1:00 pm

Conference Room 229

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 House Bill 1375, HD3**, which establishes the powers, duties, and responsibilities of the destination management agency, including its director and commission. Establishes the tourism special fund and county assistance special fund, to receive allocations from transient accommodations tax revenue. Repeals 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 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 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.

If our current tourism agency is reconfigured, we have concerns with the proposed three-person Commission outlined in the Measure. We prefer a larger commission with persons representative from each of Hawaii's counties. We cannot afford a commission with limited optics on the challenges experienced on all the islands throughout the State.

Lastly, we recognize that Hawaii's tourism needs greater management coordination with private and public stakeholders. MHLA is a part of the current Destination Management Plan (DMAP) Steering Committee for Maui County and would like to see the action items set forth to be able to continue along

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



Maui Hotel & Lodging
ASSOCIATION

with the many alliances already established with government agencies. Additionally, we support each county receiving funds to continue this vital work.

MHLA respectfully submits these comments for your consideration for House Bill 1375, HD3.

Thank you for the opportunity to provide this testimony.



March 20, 2023

Senator Lynn DeCoite, Chair
Senate Committee on Energy, Economic Development and Tourism
Senator Glenn Wakai, Chair
Senate Committee on Public Safety and Intergovernmental and Military Affairs
Hawaii State Legislature

Comments on HB1375 HD3

Dear Chair DeCoite, Chair Wakai and Members of the Senate Committees on Energy, Economic Development and Tourism and Public Safety and Intergovernmental and Military Affairs,

Thank you for the opportunity to comment on HB1375 HD3.

During the 25 years since the Hawaii Tourism Authority (HTA) was established in 1998, it has developed a broad base of community partnerships across the islands. These partners are engaged in critically important work to keep our industry strong. From courting the corporate meetings and events market; to workforce development and training; to safety and security; to assisting visitors impacted by tragedies during their stays – it is our local non-profit community organizations that deliver services the entire visitor industry relies on.

Unfortunately, the vitality of many of those organizations has been severely impacted while the legislature has been debating the way to move forward with a regenerative tourism framework. Funding to the on-island partners has been cut. Key positions in critical organizations remained unfilled. With all of the political wrangling, it has been incredibly difficult to mobilize long-term plans and programs, as there isn't any certainty on who will be leading efforts, or how much money they'll have to manage those efforts.

Please make sure as you debate HB1375 HD3 that you consider:

- Global marketing for all segments, including group meetings and incentives, and full funding for each islands' visitors' bureau
- Visitor safety and security and support for essential organizations like the Visitor Aloha Society of Hawaii (VASH)
- Tourism workforce development through organizations like ClimbHI
- Community product enrichment programs, festivals, sports and events which benefit both residents and visitors

The success of our visitor industry is built on relationships, many of which have taken decades to nurture and develop.

Thank you for the opportunity to provide comments on HB1375 HD3.

Sincerely,

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

Stephanie Donoho, Administrative Director

HB-1375-HD-3

Submitted on: 3/20/2023 12:53:49 PM

Testimony for EET on 3/21/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
MELYNDA DANT	Testifying for Fair Wind Cruises	Oppose	Written Testimony Only

Comments:

Aloha Senator Lynn DeCoite, Chair Senator Glenn Wakai, Vice Chair and Senator Glenn Wakai, Chair Senator Brandon J.C. Elefante, Vice Chair,

Thank you for this opportunity to offer comments on HB1375. My family has owned and operated our snorkel business in Kona Hawaii since 1971. We have seen the growth of tourism prior to the COVID closure. It is very important for everyone to stop and take a look at what John DeFries has done with the 180-degree change in tourism management. Every head of HVCB, and HTA prior, has gone for more numbers of people, and more airline seats to fill to make the hotels, airlines, and rental car companies happy, whose owners do not live here! But with the new changes HTA has been implementing since 2020 re-opening, the importance of place- Malama Ku'u Home is for real. Please do not stop this momentum! Do not lose the great people in place to make this happen. Instead, work on DLNR to actually follow HTA's lead! HTA has a responsible, strategic plan that is exactly what the legislature is saying they want, well we already have it! Please just have patience. Most of these support letters are not from tourism businesses. Do not support HB1375 for the good of Hawaii Nei.

Sincerely,

Mendy Dant