



**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

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, April 4, 2023
10:30 AM
State Capitol, Conference Room 211

In consideration of
HB1375, HD3, SD1
RELATING TO TOURISM.

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on HB1375, HD3, SD1, which establishes an Office of Tourism and Destination Management within DBEDT and appropriates funds.

DBEDT acknowledges the positive and negative impacts of tourism and affirms its commitment to regenerative tourism, best practice 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 an Office of Tourism and Destination Management 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.

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
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. 1375, H.D. 3, S.D. 1, Relating to Tourism

BEFORE THE:

Senate Committee on Ways and Means

DATE: Tuesday, April 4, 2023
TIME: 10:30 a.m.
LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1375, H.D. 3, S.D. 1, for your consideration.

H.B. 1375, H.D. 3, S.D. 1, dissolves the Hawaii Tourism Authority (HTA), and in its place establishes the 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.

Section 2 of the bill, on page 24, lines 1 through 11, adds section 201-K, Hawaii Revised Statutes (HRS), which 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, which begins on page 45, amends section 237-24.75(2), HRS, which exempts amounts received by the operator of the Hawaii Convention Center for reimbursement of costs or advances made pursuant to a contract with HTA under section 201B-7, by replacing references to HTA and section 201B-7 with references to OTDM and section 201-C(c), respectively.

Department of Taxation Testimony
H.B. 1375, H.D.3, S.D.1
April 4, 2023
Page 2 of 2

Section 11 of the bill, which begins on page 47, amends section 237D-6.5, HRS, by replacing references to section 201B-8 and 201B-10 with references to section 201-H and 201-J, respectively.

The bill has a defective effective date of January 6, 2050; provided that sections 19 through 21 shall take effect on July 1, 2023; provided further 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'Hawai'i
Hawai'i Convention Center
1801 Kalākāua Avenue, Honolulu, Hawai'i 96815
[kelepona tel 808 973 2255](tel:8089732255)
[kelepa'i fax 808 973 2253](tel:8089732253)
[kahua pa'a web hawaii.tourismauthority.org](http://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
COMMITTEE ON WAYS AND MEANS

Tuesday, April 4, 2023
10:30 a.m.
State Capitol Conference Room 211 & Videoconference

In consideration of
HOUSE BILL NO. 1375 HD3 SD1
RELATING TO TOURISM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments on HB1375 HD3 SD1, which would establish the Office of Tourism and Destination Management to assume the rights, powers, functions, and duties of HTA.

In discussion among our board members and staff, there emerged a unanimous consensus in opposition of dissolving HTA. 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 believe in our model, the trust we are growing with our communities, and the results we are seeing across the islands.

Although we understand the preamble in Section 1 is not the focus of this committee's consideration today, we fundamentally disagree with the premise of the preamble. Respectfully and for the record, HTA has not received written notification of a procurement violation from the Head of Purchasing Agency, State Procurement Office, or the Office of the Attorney General. Whatever mistakes were made in the issuance of RFP 22-01 for the U.S. Major Market Area, none rose to the threshold of a procurement violation.

We appreciate the inclusion of \$50 million in general funds annually in this measure, as well as the inclusion of our requested \$28.5 million expenditure ceiling for the Convention Center Enterprise Special Fund. Our original request was for \$60 million in base funding annually, with a \$15 million one-time incremental for FY24 to get us back to an operational cadence following funding shortfalls in previous fiscal years.

We stand by our original request to fund our work in destination management, our community programs, visitor education, and representing the Hawaiian Islands brand in the markets. Cutting funding to HTA means cutting funding to community efforts to manage tourism, beloved festivals and events, programs to protect our natural resources and preserve cultural practices, and efforts to educate visitors before they arrive in Hawai'i.

We would also like to renew our request for \$64 million in funding to permanently repair the Hawai'i Convention Center roof, an important state asset that faces more potential damage the longer the roof repair is delayed.

We look forward to a favorable outcome from your committee, and we appreciate the opportunity to offer these comments on HB1375 HD3 SD1. Mahalo.

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 SD 1

INTRODUCED BY: Senate Committees on Energy, Economic Development, and Tourism and Public Safety and Intergovernmental and Military Affairs

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 substitute provisions of the new bill for current provisions referencing chapter 201B, HRS, which is repealed by the bill.

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 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: 3/31/2023