



**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

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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

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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:

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 Kalākaua Avenue, Honolulu, Hawai'i 96815
[kelepona tel 808 973 2255](tel:8089732255)
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[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

April 4, 2023

10:30 a.m.

Conference Room 211 and via videoconference

To: Senate Committee on Ways and Means

Sen. Donovan M. Dela Cruz, Chair

Sen. Gilbert S.C. Keith-Agaran, Vice Chair

From: Grassroot Institute of Hawaii

Joe Kent, Executive Vice President

RE: HB1375 HD3 SD1 — RELATING TO TOURISM

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer comments on [HB1375 HD3 SD1](#), which would dissolve the Hawaii Tourism Authority and replace it with an Office of Tourism and Destination Management.

The language of this bill expresses obvious disappointment with the management and practices of the HTA. Thus it is understandable that the bill seeks to replace that agency with one that hypothetically would carry out the same mission in a more effective way.

However, it is unclear how this new agency would be anything other than enhanced version of the same agency.

While one can discuss how “destination management” will focus on “regenerative tourism” and about what this will mean for future generations, the nuts and bolts of this bill present us with a government agency tasked with promoting tourism, marketing Hawaii as a destination, promoting events, overseeing the convention center and strategic research.

It is unclear how this is a significant change from the HTA. Despite the good intentions behind the bill, it still begins with the assumption that the state requires a government-funded tourism

promotion agency. As such, the creation of a destination-management agency will frustrate efforts to engage with the question of the proper role of the government in the visitor industry while failing to achieve any significant change.

The Grassroot Institute of Hawaii is on record as opposing the use of taxpayer funds to support the visitor industry, which is well able to pay for its own promotion.

Renaming the agency that oversees tourism promotion would not change the fact that the state and Hawaii's counties should get out of the tourism business.

Whether we call it destination management or the HTA, tourism is too important to Hawaii for it to be entrusted to a government agency.

Thank you for the opportunity to testify.

Sincerely,

Joe Kent
Executive vice president
Grassroot Institute of Hawaii



Maui Hotel & Lodging
ASSOCIATION



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

Senate Committee on Ways and Means
House Bill 1375, HD3 HD1: Relating to Tourism
April 4, 2023, 10:30 am
Conference Room 211

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 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. Appropriates funds.

MHLA is grateful for the continued discussions about maintaining tourism marketing and destination management efforts for our State. The addition of language from SB1522 lays out a better model for a tourism organization, but it still brings to question why we dismantle the tourism authority we already have.

MHLA continues to be concerned with a total restructuring of a tourism authority while we are still in recovery mode and seeing softer numbers for the second half of 2023.

MHLA respectfully submits these comments for your consideration for House Bill 1375, HD3 HD1.

Thank you for the opportunity to provide this testimony.

OPPOSE
HB1375 HD3 SD1

LATE

Measure Title:	RELATING TO TOURISM.
Report Title:	Hawai'i Tourism Authority; Board of Directors; Repeal; Department of Business, Economic Development, and Tourism; Office of Tourism and Destination Management; Establishment; Regenerative Tourism; Destination Management Action Plans; Positions; Convention Center Enterprise Special Fund; Appropriation (\$)

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. Dissolves the Hawai'i Tourism Authority and the Board of Directors for the Hawai'i Tourism Authority. Appropriates funds. Takes effect 1/6/2050. (SD1)

Aloha Legislators,

I have growing concerns that this hasty action to repeal HTA may be too hasty a response to recent controversies relating to the recent bid contracts.

The intent to overhaul and have HTA refocus is needed. But based on the recent upheavals in governmental agencies and personnel, including DBET, this is not the right time to adopt this bill this year. Haste makes Waste.

Instead, there should be certain requisites set for HTA at this session. A report of whether HTA has conformed to those provisions will become the decision-making whether to repeal the entire HTA infrastructure or not in two years.

My suggestion is partly based on recent political upheavals. We also recall the nation-wide hasty efforts to "**Defund the Police**" based on some horrific actions of a few rouge policemen. No doubt there must be social justice and equity. But the movement to defund the Police was too hasty. Some States actually faced negative consequences from such hasty actions and are now reversing their "defunding" actions.



HTA

The record shows **HTA** has been successful in the tourism industry for Hawaii through the years. HTA has cultivated an established infrastructure and networking that is critical to any basic commercial industry. These contacts and networking takes time. This infrastructure is a very valuable asset that should not be quickly sidelined or repealed.



CARRYING CAPACITY

I believe the fundamental unhappiness with HTA and politicians is the carrying capacity issue. Residents are very upset with the invasion of tourists "everywhere" and the lack of order and intrusion into their privacy, happiness, and convenience relating to their quality of life.

HTA must address and focus on our Residents First. The Residents' Quality of Life is paramount. When residents are happy, the tourists will be happy too. Of course, there must be more concerted effort to preserve and conserve Hawaii's finite resources.



To this end, it is a more organized procedure to retain HTA but make compelling changes to its organizational focus and accountability to the people of Hawaii.

PUT RESIDENTS FIRST

Here are added suggestions to the Bill

REQUIRES HTA to do the following: (1) **Transform** into an office of tourism and destination management that will be governed **by a fifteen (15)**—member board of directors consisting of: (A) A member from the county of Hawaii; (B) A member from the county of Maui; (C) A member from the county of Kauai; (D) A member from the city and county of Honolulu; (E) A member from the hospitality industry; (F) A member from the airline industry; (G) A member from the retail industry; and (H) A member with a background in Hawaiian culture; and (I) A member with a background in agriculture; **and 6 more ordinary RESIDENTS to the Board of Directors from various islands who have lived here for twenty years or more.**

Require HTA to have an office on each island. Respect Home Rule as to how tourism will be managed on each island. Again ordinary residents must have a place at the table in each county, NOT just commercial outfits.

Require HTA to have an annual open community meeting on each island to hear feedback from the local residents and to implement their suggestions.

Require HTA to connect with State and County to help with the “Tourism Plan”.

At this junction, there appears to be not much correlation with the Counties. HTA can continue to help educate tourists about certain parks ban, environmental issues, and so forth. There is a lot lacking in this area. Even then, the counties themselves are not in sync with what the local residents want. For example, while the Honolulu County may publicly say it’s trying to contain vacation rentals sprawl, it is also contradicting itself by pushing to create hotels in residential neighborhoods in their pending Bill 10.

Our local residents are the frontline principals in this tourism issue. They know what’s going on and have much to contribute to the solutions. They must have a voice at the tourism decision-making table. Please put Residents First!

Sincerely,
Choon James
ChoonJamesHawaii@gmail.com
www.CountryTalkStory.com

