



**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 COMMITTEE ON WATER & LAND

Wednesday, March 22, 2023
9:30 AM
State Capitol, Conference Room 430

In consideration of
SB1522, SD2, HD1
RELATING TO ECONOMIC DEVELOPMENT.

Chair Ichiyama, Vice Chair Poepoe, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on SB1522, SD2, HD1, which establishes an Office of Destination Management within DBEDT, requires the implementation of certain county destination management action plans, establishes a tourism liaison officer within the office of the governor, 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 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

HONOLULU, HAWAII 96809
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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, H.D.1, Relating to Economic Development

BEFORE THE:

House Committee on Water & Land

DATE: Thursday, March 22, 2023

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 430

Chair Ichiyama, Vice-Chair Poepoe, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1522, S.D.2, H.D.1, for your consideration.

S.B. 1522, S.D.2, H.D.1, dissolves the Hawaii Tourism Authority (HTA), and in its place establishes the Office of Destination Management (ODM), 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 ODM.

Section 2 of the bill, on page 22, line 19, through page 23, line 8, adds section 201-K, Hawaii Revised Statutes (HRS), which exempts all revenues and receipts derived by ODM from any project or a project agreement or other agreement pertaining thereto from all state taxation.

Section 8 of the bill, which begins on page 41, 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 ODM and section 201-C(c), respectively.

Section 9 of the bill, which begins on page 43, amends section 237D-6.5, HRS, by replacing references to section 201B-8, 201B-10, and HTA with references to section 201-H, 201-J, and ODM, respectively.

The bill has a defective effective date of June 30, 3000; provided that sections 17, 18, 19, and 22 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 Hawai'i
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
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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
COMMITTEE ON WATER & LAND

Wednesday, March 22, 2023
9:30 a.m.
State Capitol Conference Room 430 & Videoconference

In consideration of
SENATE BILL NO. 1522 SD2 HD1
RELATING TO ECONOMIC DEVELOPMENT

Aloha Chair Ichiyama, Vice Chair Poepoe, and Members of the Committee on Water & Land,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments expressing our **strong reservations** on SB1522 SD2 HD1, which would establish a new destination management office 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.

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 committee, and we appreciate the opportunity to offer these comments expressing our **strong reservations** on SB1522 SD2 HD1. Mahalo.



March 13, 2023

Representative Linda Ichiyama, Chair
Representative Mahina Poepoe, Vice Chair
House Committee on Water and Land
Hawaii State Legislature

Comments on SB1522 SD2 HD1

Dear Chair Ichiyama, Vice Chair Poepoe and Members of the House Committee on Water and Land,

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 on how much money they'll have to implement their programs.

Please make sure as you debate SB1522 SD2 HD1 that you consider:

- Global marketing for all segments, including group meetings and incentives
- Full funding for staffing of each island's 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. Please make sure to consider those relationships and everyone impacted, as you continue to debate this restructuring.

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

SB-1522-HD-1

Submitted on: 3/20/2023 2:51:53 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

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

Comments:

Aloha, Rep. Linda Ichiyama, Chair Rep. Mahina Poepoe, Vice Chair,

I am an owner/operator of a 52-year-old family ocean tourism business in Kona and am opposing SB1522. As you know prior to John Defries taking the helm of HTA, the priority for HVCB, and HTA was more, more, more for the hotels, airlines, and rental car companies, who none of the owners lived here in Hawaii. Once the new vision was told to us in the industry most of us were so happy and relieved to move to the vision for a sustainable, regenerative industry. Please do not stop the positive momentum we have going for us. We need to fund and support HTA in order for stability and continued positive change. Those of us on the ground, understand the tools HTA is giving us and appreciate that we are in the driver's seat guiding our growth in a reasonably healthy way for us all. The state can put its energy into helping DLNR embrace and implement this regenerative tourism plan HTA has laid out numerous times for us all to understand. It is already in motion, it does not need the legislature to stop and try to restart with no one at the helm!

Sincerely,

Mendy Dant



Maui Hotel & Lodging ASSOCIATION

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

House Committee on Water and Land
Senate Bill 1522 SD2 HD1: Relating to Economic Development

March 22, 2023, 9:30 am
Conference Room 430

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 HD1**, which establishes an Office of Destination Management within the Department of Business, Economic Development, and Tourism. Requires the Office of Destination Management to implement certain county destination management action plans. 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 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 HD1.

Thank you for the opportunity to provide this testimony.

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

GRASSROOT INSTITUTE OF HAWAII

March 22, 2023

9:30 a.m.

Conference Room 430 and via videoconference

To: House Committee on Water & Land

Rep. Linda Ichiyama, Chair

Rep. Mahina Poepoe, Vice Chair

From: Grassroot Institute of Hawaii

Joe Kent, Executive Vice President

RE: SB1522 SD2 HD1 — RELATING TO ECONOMIC DEVELOPMENT

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer comments on [SB1522 SD2 HD1](#), which would repeal the Hawaii Tourism Authority and replace it with an Office of Destination Management.

It says much about the contradictory approach to tourism in our state that the response to the ongoing public debate about the future of the visitor industry is the rhetorical face-lift presented in this bill.

On the one hand, the state recognizes that tourism is a vital part of the state's economy and has created a government agency to work with industry stakeholders, manage the convention center and promote Hawaii as a destination.

Yet that same agency has announced plans to "decrease" and "manage" tourism in ways that appeal to Hawaii residents who are concerned about the negative impacts of booming visitor numbers.

This bill engages all of the buzzwords associated with this recent turn toward "destination management." However, it remains unclear what they really mean outside of their rhetorical

flourishes. Peeling away the layers of meaning behind terms like “regenerative tourism” suggest that this is all merely code for “just the wealthier class of tourists.”

While one can discuss how “destination management” will focus on “regenerative tourism” and wax poetic 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 analysis of visitor data.

It is unclear how this is a significant change from the HTA. In fact, it looks more like an attempt to end debate over the future of the HTA through a cosmetic restructure. As such, it 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.

In addition, the bill includes an appropriation of \$100 million for the “new” agency, a generous increase from the amount HTA received last year that seems to ignore previous discussion about defunding the HTA entirely.

The Grassroot Institute 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 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

SB-1522-HD-1

Submitted on: 3/18/2023 9:44:09 PM

Testimony for WAL on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

This does not Sound Right . To much Control by the Government!!