



**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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DEPUTY 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

Wednesday, February 22, 2023
9:30 AM
State Capitol, Conference Room 211

In consideration of
SB1522, SD1
RELATING TO ECONOMIC DEVELOPMENT.

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

The Department of Business, Economic Development and Tourism (DBEDT) offers **comments** on SB1522, SD1, which establishes an Office of Tourism and Destination Management within DBEDT 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
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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. 1, Relating to Economic Development

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 22, 2023

TIME: 9:30 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 S.B. 1522, S.D. 1, for your consideration.

S.B. 1522, S.D. 1, establishes an Office of Tourism and Destination Management ("Office") within the Department of Business, Economic Development, and Tourism (DBEDT), which encompasses regenerative tourism and best practice destination management. The bill transfers the functions, duties, appropriations, and positions of the Hawaii Tourism Authority ("Authority") to the Office.

Section 2 of the bill, on page 22, beginning on line 20, and continuing onto page 23, exempts all revenues and receipts derived by the Office from any project or a project agreement or other agreement pertaining thereto from all state taxation. Section 10 of the bill, on pages 44 to 45, updates the statutory reference in section 237-24.75, Hawaii Revised Statutes (HRS), from the Authority under section 201B-7 to the Office under subsection 201-C(c). Section 11 of the bill, on page 47, amends section 237D-6.5, HRS, which allocates revenues from the transient accommodations tax, by referencing the new statutory provisions under which the convention center enterprise special fund and tourism emergency special fund are created and funded.

The bill has a defective effective date of January 6, 2050, provided that the changes made to section 237D-6.5, HRS, shall not be repealed when that section is

Department of Taxation Testimony
S.B. No. 1522, S.D. 1
February 22, 2023
Page 2 of 2

repealed and reenacted on June 30, 2023 pursuant to section 5 of Act 229, Session Laws of Hawaii 2021.

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

The Department estimates a net zero effect on revenues since the Office will assume all duties of the Authority.

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



Ke'ena Kuleana Ho'okipa O Hawaii'i
Hawaii'i Convention Center
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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
COMMITTEE ON WAYS AND MEANS

February 22, 2023
9:30 a.m.
State Capitol Conference Room 211 & Videoconference

In consideration of
SENATE BILL NO. 1522 SD1
RELATING TO ECONOMIC DEVELOPMENT

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

The Hawaii'i Tourism Authority (HTA) appreciates the opportunity to offer comments on SB1522 SD1, 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 the largest sector of Hawaii'i's economy, and therefore 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.

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.

Ahead of making major structural changes to the agency responsible for managing Hawai'i's visitor industry, the completion of a study on alternative models of tourism would be a valuable, prudent approach to consider.

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 on SB1522 SD1. Mahalo.



February 21, 2023

Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Aragan, Vice Chair
Committee on Ways and Means
Hawaii State Legislature

Comments on SB1522 SD1

Dear Chair Dela Cruz, Vice Chair Keith-Aragan and Members of the Senate Committee on Ways and Means,

Thank you for the opportunity to comment on SB1522 SD1.

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 programming; natural resources programming; tourism workforce development programming; visitor safety and security; and data collection and dissemination.

Much of that work has been primarily undertaken by a broad and diverse network of non-profit and community organizations all across the state. A list of the organizations and programs supported by HTA is included in their annual report to the Legislature and can be found here - <https://www.hawaiitourismauthority.org/who-we-are/annual-report/>.

As currently written, we do not believe that bill SB1522 SD1 thoroughly addresses how the state will support:

- Global marketing in partnership with each island's visitor bureau
- Visitor safety and security through organizations like the Visitor Aloha Society of Hawaii (VASH)
- Tourism workforce development through organizations like ClimbHI
- Community product enrichment programs, festivals, sports and events

These important community organizations rely on the continuity of the funds they receive from HTA in order to deliver critical services to support the health and stability of the state's visitor industry. And those critical relationships are vitally important and have taken decades to nurture and develop.

Thank you for the opportunity to provide comments on SB1522 SD1.

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



HAWAI'I LODGING & TOURISM
ASSOCIATION

LATE

Testimony of
Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

Senate Committee on Ways & Means
Senate Bill 1522, SD1
February 16, 2023

Chair Dela Cruz and members of the Committee, 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.

It is clear that members of our community desire a frank discussion regarding the Hawai'i Tourism Authority, its duties, its governance, and the role it should fulfill going forward. We feel strongly that this conversation—which should encompass all HTA's duties including destination management as well as visitor marketing—is warranted 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 also believe that allowing this to occur will result in increased recognition and appreciation for tourism's importance to our community and our economy. Moreover, careful consideration of the State's tourism role will only improve the quality and efficiency of the State's tourism advocacy, which must strike a fine balance between the needs of residents and travelers alike.

As an organization, HLTA has enjoyed a positive, productive, and collaborative working relationship with HTA under its current model as the State's tourism agency. However, as a former director of the Department of Business, Economic Development, & Tourism, I also believe that the framework set forth in Senate Bill 1522, SD1—which would consolidate HTA within DBEDT—merits a closer examination, carefully weighing the pros and cons of such a move.

Though it was a very different time, we were effective while having a tourism agency that operated in a synergistic and collaborative fashion from within DBEDT.

Mahalo for the opportunity to offer these comments.



Maui Hotel & Lodging
ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

LATE

Senate Committee on Ways and Means

Senate Bill 1522 SD1: Relating to Economic Development

February 22, 2023, 9:30 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 Senate Bill 1522 SD1**, 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.

Rather than dismantle our existing tourism authority, we encourage completing a study on alternative tourism governance models as laid out in [HB1381](#). This would be a practical, pragmatic approach versus completely creating a new structure.

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 with the many alliances already established with stakeholders and government agencies.

MHLA respectfully submits these comments for your consideration for Senate Bill 1522 SD1.

Thank you for the opportunity to provide this testimony.

LATE

SB-1522-SD-1

Submitted on: 2/21/2023 8:18:18 PM

Testimony for WAM on 2/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Leimomi Khan	Individual	Oppose	Written Testimony Only

Comments:

Aloha, I continue to oppose this bill for reasons earlier articulated and have concerns about its impact on the contracts now out for bid. I do support, however, the amendments proposed to **"§201-B (5) Office of tourism and destination management; establishment; responsibilities.**

(a) There is established within the department an office of tourism and destination management to:

(5) Focus on perpetuating the uniqueness of the Native Hawaiian culture and community, and their significance to the quality of the visitor experience, by ensuring that:

(A) The Hawaiian culture is accurately portrayed by Hawaii's visitor industry;

(B) Hawaiian language is supported and normalized as an official language of the State as well as the foundation of the host culture that attracts visitors to Hawaii;

(C) Hawaiian cultural practitioners and cultural sites that give value to Hawaii's heritage are supported, nurtured, and engaged in sustaining the visitor industry; and

(D) A Native Hawaiian cultural education and training program is provided for the members of the visitor industry workforce who have direct contact with visitors; and..."

Mahalo for your consideration of my comments.