

STAND. COM. REP. NO. 1320

Honolulu, Hawaii

MAR 23 2023

RE: H.B. No. 1375
H.D. 3
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committees on Energy, Economic Development, and Tourism and Public Safety and Intergovernmental and Military Affairs, to which was referred H.B. No. 1375, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO TOURISM,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the powers, duties, and responsibilities of the Destination Management Agency, including its director and commission;
- (2) Establish the Tourism Special Fund and County Assistance Special Fund, to receive allocations from transient accommodations tax revenue; and
- (3) Repeal the Hawaii Tourism Authority.

Your Committees received testimony in opposition to this measure from Fair Wind Cruises. Your Committees received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Hawai'i Tourism Authority; Tax Foundation of Hawaii; Maui Hotel and Lodging Association; and Kohala Coast Resort Association.



Your Committees find that due to mismanagement by the Hawaii Tourism Authority, the award of a \$34,000,000 contract for the marketing of Hawaii as a tourism destination to the United States major market area has been in limbo since 2021. This situation has been widely publicized and has negatively affected public perception of the Authority while demonstrating the Authority's noncompliance with the State Procurement Code. Your Committees further find that the Department of Business, Economic Development, and Tourism managed the tourism marketing contracts for the State prior to the establishment of the Hawaii Tourism Authority. This measure will address these public concerns and re-establish public confidence in the State management of tourism.

Your Committees note that S.B. No. 1522, S.D. 2 (Regular Session of 2023), which was previously passed by the Senate, is a substantially similar measure that establishes an Office of Tourism and Destination Management within the Department of Business, Economic Development, and Tourism and repeals the Hawaii Tourism Authority. Your Committees find that the language in S.B. No. 1522, S.D. 2, is preferable because it appropriates funds to establish the Office of Tourism and Destination Management to effectuate the transfer from the Hawaii Tourism Authority, with a focus on destination management headed by a board of directors that consists of nine members.

Your Committees also note that this measure, as amended herein, contains an appropriation amount of \$50,000,000 for the establishment, administration, and operation of the Office of Tourism and Destination Management. Should your Committee on Ways and Means choose to deliberate on this measure, your Committees respectfully request that it consider appropriating \$75,000,000 for the establishment, administration, and operation of the Office of Tourism and Destination Management, with designated earmarks.

Accordingly, your Committees have amended this measure by:

- (1) Deleting its contents and inserting the contents of S.B. No. 1522, S.D. 2, a substantially similar measure, which:
 - (A) Establishes an Office of Tourism and Destination Management within the Department of Business, Economic Development, and Tourism;




- (B) Transfers the functions, duties, appropriations, and positions of the Hawaii Tourism Authority to the Office of Tourism and Destination Management;
 - (C) Requires the Office of Tourism and Destination Management to implement certain county destination management action plans;
 - (D) Dissolves the Hawaii Tourism Authority; and
 - (E) Appropriates funds; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Energy, Economic Development, and Tourism and Public Safety and Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1375, H.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1375, H.D. 3, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Energy, Economic Development, and Tourism and Public Safety and Intergovernmental and Military Affairs,



GLENN WAKAI, Chair



LYNN DECOITE, Chair



