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WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3006, S.D. 1

February 23, 2024
10:30 a.m.
Room 211 and Videoconference

RELATING TO THE CONVENTION CENTER

The Department of Budget and Finance offers comments on this bill.

Senate Bill No. 3006, S.D. 1, exempts the Hawai'i Convention Center (HCC) from the requirements regarding concessions on public property and authorizes the Hawai'i Tourism Authority to sell advertising and marketing on and in the HCC.

The federal Internal Revenue Code (IRC) contains strict rules which prohibit certain private-use activities, including naming rights and other advertising, in facilities financed by tax-exempt general obligation bonds. As such, the allowance of such activities may not be compliant with the IRC and may jeopardize the State's ability to maintain its tax-exempt status for bonds used to finance the HCC.

Thank you for your consideration of our comments.



TESTIMONY OF DANIEL NĀHO'OPI'I
INTERIM PRESIDENT & CEO, HAWAII TOURISM AUTHORITY
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
Friday, February 23, 2024 10:30 a.m.
In consideration of
SB 3006 SD 1
RELATING TO THE CONVENTION CENTER

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer our support for SB3006 SD1, which would enable the sale of naming rights by exempting the Convention Center from requirements regarding concessions on public property, and authorizing the sale of advertising and marketing on and in the Hawai'i Convention Center.

Over the quarter century that the Hawai'i Convention Center has been operating, it has hosted high-profile international convenings, national and local conferences and conventions, beloved festivals and events, athletic events attracting participants locally and from abroad, and served as an important hub for the state's response to emergencies.

Many prestigious venues across the U.S. have sold naming rights. An initial analysis was performed by ASM Global, one of the world's leading venue management companies, taking into account the market as well as volume of events and demographics of guests at our center. That analysis values the naming rights for the Hawai'i Convention Center at up to \$500,000 in the first year, escalating to a 20-year agreement value of over \$13 million.

This measure opens additional possibilities for funding to address the center's repair and maintenance needs into the future, and HTA appreciates the availability of these possibilities. Mahalo for the opportunity to provide these comments in support of this measure.



Cade Watanabe, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Eric W. Gill, Senior Vice-President

February 21, 2024

Committee On Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair

Testimony in opposition to SB3006

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

UNITE HERE Local 5 represents 10,000 working people in the hotel, food service and health care industries across Hawaii. We are opposed to SB3006, which would allow the State to lease out concessions at the Hawaii Convention Center without competitive bidding.

The list of public properties exempt from competitive bidding continues to grow, but it is unclear if or how such exemptions have ever benefited the State. It certainly is not clear why the Convention Center should be added to that list. The list has already been expanded many times in recent years – a few examples include:

- 2014 Act 141ⁱ, which exempted some types of airport concessions;
- 2016 Act 121ⁱⁱ, which exempted operation of a natural energy laboratory of Hawaii authority;
- 2017 Act 138ⁱⁱⁱ, which exempted all types of airport concessions;
- 2022 Act 163^{iv}, which exempted ground transportation and parking lot operations at small boat harbors, and certain types of concessions at beach or ocean related recreational services, county zoos, botanical gardens and county parks. This act also extended the maximum terms of leases; and
- 2023 Act 72^v, which exempted ground transportation and parking lot operations at state parks, as well as certain other concessions operations at state parks.

We feel this, like all measures to get around State procurement laws, is not in the public interest. It would remove transparency from the process by which our public facilities and lands are leased to corporations. It would remove the public from the process. Further, it is anti-competitive, and we do not understand how it would serve the best interests of the State to not analyze competing proposals - especially if concessions are meant to generate revenue for the State.

Please oppose this measure.

Thank you for your consideration.

ⁱ https://www.capitol.hawaii.gov/slh/Years/SLH2014/SLH2014_Act141.pdf

ⁱⁱ https://www.capitol.hawaii.gov/slh/Years/SLH2016/SLH2016_Act121.pdf

ⁱⁱⁱ https://www.capitol.hawaii.gov/slh/Years/SLH2017/SLH2017_Act138.pdf

^{iv} https://www.capitol.hawaii.gov/slh/Years/SLH2022/SLH2022_Act163.pdf

^v https://www.capitol.hawaii.gov/slh/Years/SLH2023/SLH2023_Act72.pdf