

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

Senate Committees on Economic Development and Tourism and Agriculture and Environment

Thursday, February 13, 2025
1:02 p.m.

State Capitol, Conference Room 229, and Videoconference

In Support

S.B. No. 1396, Relating to Economic Development

Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards, and Members of the Senate Committees on Economic Development and Tourism and Agriculture and Environment:

The Office of the Governor supports S.B. No. 1396, Relating to Economic Development. S.B. No. 1396 establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. The bill also increases the Transient Accommodations Tax beginning January 1, 2026, and allocates funds generated by the increase to the newly established funds.

Hawaii is experiencing a climate emergency. As an island chain, Hawaii is particularly susceptible to the effects of climate change, such as rising temperatures, prolonged droughts, and increasingly destructive and deadly weather events. In recognition of these impacts and their potentially life-threatening consequences, Governor Green convened a Climate Advisory Team to develop and recommend climate-related disaster policies.

Among these policy recommendations is the establishment of a climate resilience fund to finance projects that increase Hawaii's preparedness for and mitigation of climate-related disasters. This bill establishes the Climate Mitigation and Resiliency Special Fund (CMRSF) to advance projects addressing the impacts of climate change, including projects that mitigate, adapt to, or increase resiliency against climate change. The placement of the special fund within the Department of Defense, the State's lead for hazard mitigation and disaster readiness, ensures that the fund is administered with an attentiveness to disaster preparedness and mitigation, and particularly the State's needs in these critical areas.

Although the Department of Defense will administer the CMRSF, it is not the sole entity responsible for vetting projects to receive funding from the CMRSF. Just as climate impacts are felt across the State, resiliency projects will affect and require cooperation across sectors. A diverse group of stakeholders, including representatives from the Departments of Business, Economic Development, and Tourism; Budget and Finance; Land and Natural Resources; and

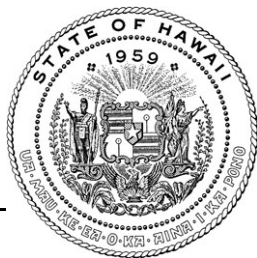
Transportation; as well as representatives of the public appointed by the Legislature will select projects for CMRSF funding to ensure selected projects reflect statewide needs and priorities.

The Economic Development and Revitalization Special Fund (EDRSF), administered by the Department of Business, Economic Development, and Tourism, is essential to ensuring the long-term sustainability and competitiveness of Hawaii's resort and tourism areas, which are central to the State's economy. As climate change intensifies, rising sea levels, extreme weather events, and coastal erosion threaten the very foundations of these vital economic hubs. Without proactive investment in climate mitigation, adaptation, and resiliency efforts, Hawaii's tourism industry risks significant economic losses, infrastructure damage, and reduced visitor appeal. This fund will provide critical resources to enhance infrastructure resilience, support sustainable tourism initiatives, and implement strategic marketing efforts that highlight Hawaii's commitment to environmental stewardship. By integrating climate adaptation with economic revitalization, the State can safeguard its tourism industry while promoting a more sustainable and resilient future.

Given the scale of current and future climate impacts to Hawaii, the Climate Advisory Team advised allocating \$1.375 billion over the next five years to the climate resilience fund. To avoid placing an undue financial burden upon Hawaii residents, the team recommended increasing the Transient Accommodations Tax (TAT). The TAT is currently at a statewide minimum of 10.25 percent and is expected to generate an estimated \$1.054 billion in fiscal year 2024, according to the Department of Budget and Finance. By increasing the TAT rate by 1.75 percent to a total of 12.00 percent, the State could raise annual TAT revenue to an estimated \$1.234 billion. S.B. No. 1396 allocates in equal proportion the additional \$180 million generated per year to the two special funds. Utilizing increased TAT revenues to fund resiliency and economic development projects would couple visitor impacts to the State's natural and built resources to their continued financial support and longevity.

Climate mitigation and resiliency is essential to the health, safety, and wellbeing of Hawaii's islands and people. The tourism industry is essential to our economy. We must fund projects that will strengthen the State's ability to mitigate and adapt to the impacts of climate change without financially burdening Hawaii's residents. S.B. No. 1396 accomplishes these dual goals through establishing the Climate Mitigation and Resiliency Special Fund, the Economic Development and Revitalization Special Fund, and processes to allocate these funds in a fair and transparent manner.

The Office of the Governor looks forward to continuing discussions on this bill. Thank you for the opportunity to provide testimony on this measure.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKA'I

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Testimony of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
&
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Thursday, February 13, 2025
1:02 PM
State Capitol, Conference Room 415

In consideration of
SB 1396
RELATING TO ECONOMIC DEVELOPMENT.

Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards, and members of the Committees.

Thank you for the opportunity to testify in **strong support** of SB 1396, which establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, funded by an increase in the Transient Accommodations Tax.

Hawai'i remains one of the top destinations in the world because of our people, culture, and natural resources (beautiful oceans and beaches, amazing sea cliffs and coastlines, volcanic landscapes, and tropical rainforests, to name a few). Mitigating the impacts of our changing climate on our natural resources remains a critical objective to ensure current and future economic stability and growth for the state.

Equally important is the need to invest in our communities statewide to reduce the impacts of disasters, by ensuring a thriving environment, fortifying homes and promoting community resilience.

The Economic Development and Revitalization special fund enables the state to invest in much needed revitalization projects, shore up infrastructure within tourist districts and resort areas, implement resiliency and adaption measures and provide funding for tourism marketing. It is our kuleana to take care of our fragile ecosystems that keep Hawai'i a top travel destination by investing in the Economic Development and Revitalization Special Fund.

Thank you for the opportunity to testify in strong support of SB 1396.



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TESTIMONY OF
DANIEL NĀHO'OPI'I
Interim President & CEO
Hawai'i Tourism Authority
before the
**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT & TOURISM
AND
AGRICULTURE AND ENVIRONMENT**

Wednesday, February 13, 2025
1:02 p.m.
State Capitol, Room 229

In consideration of
SB 1396
RELATING TO ECONOMIC DEVELOPMENT

Aloha Chairs DeCoite and Gabbard, Vice Chair Wakai and Richards, and members of the Committees,

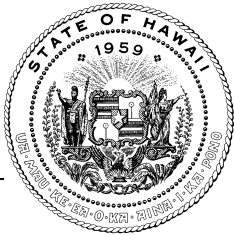
The Hawai'i Tourism Authority (HTA) supports with comments of SB 1396, which establishes the climate mitigation and resiliency special fund (CMRSF) and the economic development and revitalization special fund (EDRSF), increases the Transient Accommodations Tax (TAT) starting in 2026, and allocates funds generated by the increase to the newly established funds.

As stated in the bill, tourism's resiliency to climate change is critical since it is predicated on land and natural resources and therefore, we look forward to collaborating with the other agencies to develop the procedures to implement both funds.

Additionally, while we understand the intention behind raising the TAT, the HTA must ensure that such tax increases do not create barriers to travel but should provide a positive and competitive business environment [HRS 201B-3(a)(17)]. We are concerned that the proposed funding mechanisms lack a clear nexus to tourism's resiliency, as they do not guarantee direct funding for infrastructure improvements in visitor areas and enhancing tourism marketing efforts. HTA plans to work with other agencies and interested parties to discuss the issues raised.

As this is a fiscal issue, we defer to the appropriate agency for comment.

Mahalo for the opportunity to share our comments.



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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
**SENATE COMMITTEES ON
ECONOMIC DEVELOPMENT AND TOURISM
AND
AGRICULTURE AND ENVIRONMENT**

Thursday, February 13, 2025
1:02 PM
State Capitol, Conference Room 229 and Videoconference

In SUPPORT of
SB 1396

RELATING TO ECONOMIC DEVELOPMENT.

Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards, and members of the Committees, the Hawai'i State Energy Office (HSEO) supports SB 1396, an Administration measure, which establishes the Climate Mitigation and Resiliency Special Fund (CMRSF) and the Economic Development and Revitalization Special Fund (EDRS), increases the Transient Accommodations Tax (TAT) starting in 2026, and allocates funds generated by the increase to the newly established funds.

HSEO concurs with the Legislature's finding that immediate investments in climate change resilience and mitigation are needed to protect Hawai'i's economy and people. With a balanced approach, HSEO believes the TAT is an appropriate and effective vehicle to fund such investments given their long-term benefits to Hawai'i's visitor industry. HSEO stands ready to support the agencies tasked with administration of the CMRSF and EDRS, and the Selection Committee to review and recommend CMRSF investments; particularly those related to energy and transportation resilience.

As this is a fiscal issue, we defer to the appropriate agency for comment.

Thank you for the opportunity to testify.



**Testimony of
Gwen Yamamoto Lau
Executive Director
Hawaii Green Infrastructure Authority
before the
Senate Committee on Economic Development and Tourism
and
Senate Committee on Agriculture and Environment
Thursday, February 13, 2025, 1:02 PM
State Capitol, Conference Room 229
in consideration of
Senate Bill No. 1396
RELATING TO ECONOMIC DEVELOPMENT**

Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards and Members of the Committees:

Thank you for the opportunity to testify in **strong support** of SB1396, which establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, funded by an increase in the Transient Accommodations Tax.

Serving as a member of the Climate Advisory Team over the past six months has heightened my awareness of the devastating impacts of disasters and underscored the importance of investing in pre-disaster preparedness to mitigate future losses and long-term recovery.

As an island state, we are at ground-zero for climate related disasters. Adding to our vulnerabilities are islanded grids, with the next closest land mass that will be able to provide much needed resources over 2,300 miles away.

The Climate Mitigation and Resiliency Special Fund will provide ongoing funding to (1) ensure a thriving environment by removing invasive plants that provide fuel for wildfires and fortify natural protections against hurricane and storm surges; and (2) increase resilience in our communities by fortifying homes susceptible to hurricanes and ensuring our communities are provided necessary resources and technical assistance through community based organizations to provide pre-disaster education (e.g., Hawaii Hazards Awareness and Resilience Program; Hawaii Wildfire Management Organization, etc.), planning and coordination to increase a community's readiness, in collaboration with local, state and federal agencies.

The Economic Development and Revitalization special fund enables the state to invest in much needed revitalization projects, shore up infrastructure within tourist districts and resort areas, implement resiliency and adaptation measures and provide funding for tourism marketing.

It is our kuleana to invest in our communities to mitigate the impacts of climate disasters as well as take care of our fragile ecosystems that keep Hawaii a top travel destination by investing in the Climate Mitigation and Resiliency and Economic Development and Revitalization Special Funds.

Thank you for this opportunity to testify in strong support of SB 1396.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1396, Relating to Economic Development.

BEFORE THE:

Senate Committees on Economic Development and Tourism and Agriculture and Environment

DATE: Thursday, February 13, 2025

TIME: 1:02 p.m.

LOCATION: State Capitol, Room 229

Chairs DeCoite and Gabbard, Vice-Chairs Wakai and Richards, III, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1396, an Administration measure, for your consideration.

S.B. 1396 amends the Transient Accommodation Tax (TAT) rate and distribution schedule under chapter 237D, Hawaii Revised States (HRS).

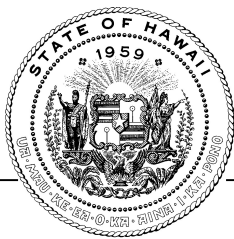
Section 4 increases the TAT rate from 10.25% to 12% under Section 237D-2, HRS, effective January 1, 2026. Of that 12%, 1% will continue to be allocated into the mass transit special fund. The remaining 11% will be distributed according to 237D-6.5, with any remaining monies being deposited into the general fund.

Section 5 amends 237D-6.5(b), HRS, by adding two new funds at the end of the prioritized distribution schedule. These new funds, established by this bill, will each receive 7.3% of the total TAT revenue.

This bill is set to take effect on July 1, 2025.

DOTAX can administer this bill as drafted.

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



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
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MARY ALICE EVANS
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Statement of
MARY ALICE EVANS, Director

before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
AND
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

Thursday, February 13, 2025, 1:02pm
State Capitol, Conference Room 229

in consideration of
**SB 1396
RELATING TO ECONOMIC DEVELOPMENT**

Chairs DeCoite and Gabbard and Vice Chairs Wakai and Richards, and Members of the Senate Committees.

The Office of Planning and Sustainable Development (OPSD) **strongly supports** SB 1396 which establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, increases the Transient Accommodation Tax (TAT), and allocates the increased TAT funds to the newly established special funds.

OPSD supports this bill because the newly established special funds will facilitate adaptation to climate change, ensuring the health, safety, and well-being of the State's lands, waters, and people. Investing in a comprehensive and coordinated response to climate change will help reduce current impacts while also reducing future costs.

Thank you for the opportunity to testify on this measure.



LATE

**STATE OF HAWAII
HAWAII CLIMATE CHANGE MITIGATION & ADAPTATION
COMMISSION
POST OFFICE BOX 621
HONOLULU, HAWAII 96809**

**Testimony of
LEAH LARAMEE
Climate Change Coordinator on behalf of
Climate Change Mitigation and Adaptation Commission Co-Chair Mary Alice Evans and
Co-Chair Dawn N.S. Chang**

**Before the House Committees on
ECONOMIC DEVELOPMENT & TOURISM
and
AGRICULTURE AND ENVIRONMENT**

**Wednesday, February 13, 2025
1:02 PM
State Capitol, Conference Room 229 & Videoconference**

**In consideration of
SENATE BILL 1396
RELATING TO ECONOMIC DEVELOPMENT**

Senate Bill 1396 establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, beginning January 1, 2026, increases the Transient Accommodations Tax and allocates funds generated by the increase to the newly established funds. **The Hawai'i Climate Change Mitigation and Adaptation Commission (Commission) supports this measure provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget request.**

The Commission consists of a multi-jurisdictional effort between 20 different departments, committees, and counties to protect the lives and livelihoods of the people of Hawai'i through accelerate climate action. This bill provides a sustainable funding mechanism to support climate actions across the state to mitigate and recover from the life-threatening impacts of climate change. Climate actions have been severely underfunded with expected costs rising each year of inaction.

The devastating fires of Lahaina, a singular event exacerbated by climate change, is expected to cost over \$12 billion dollars. Skyrocketing insurance premiums and mass exodus from insurance agents in vulnerable areas are a clear indication that we can no longer ignore the costly impacts of climate. A 2024 study shows that every \$1 spent on climate resilience and preparedness saves

communities \$13 in damages, cleanup costs and economic impact.ⁱ An investment into climate mitigation and resilience is an investment into our people, economy and future.

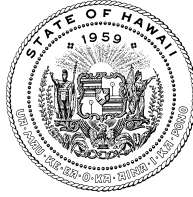
The Commission's "Grants to Projects Bridge" has identified unfunded climate projects totaling nearly \$1 billion annually. These projects were identified as needs by state agencies, included in state and county plans, and submitted by community members ready to implement climate resilience in their communities. The establishment and funding of this fund is an important strategy to close the gap between existing and needed funding for climate disaster preparation and recovery. This program would bolster the State's existing investments in climate readiness.

Regarding testimony voicing concerns over increases to the TAT leading to declining visitor numbers, the Department of Business, Economic Development and Tourism November 2024 marked the fourth-consecutive month with year-over-year growth in both visitor arrivals and expenditures.¹ Tourism has large impacts on our environment, is a big contributor to climate change in the state and it is time to prioritize residents' needs. Visitor destination management plans are making progress. However, much work still needs to be done to create a sustainable tourism economy. The contribution of the TAT can help to contribute to actions to making Hawai'i safer in the face of climate change.

Mahalo for the opportunity to testify in support of this measure.

ⁱ <https://www.uschamber.com/security/the-preparedness-payoff-the-economic-benefits-of-investing-in-climate-resilience>

¹ [Department of Business, Economic Development & Tourism | Visitor Industry Recorded Fourth Consecutive Year-over-Year Growth in November 2024](#)



EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

**Committee on Economic Development & Tourism
Committee on Agriculture and Environment**

Thursday, February 13, 2025

1:02 p.m.

State Capitol, Conference Room 229 and Videoconference

**In Support
S.B. No. 1396, Relating to Economic Development**

Chair DeCoite, Vice Chair Wakai, and members of the Committee on Economic Development & Tourism

Chair Gabbard, Vice Chair Richards, and members of the Committee on Agriculture and Environment:

The Office of the Governor Recovery and Resiliency Unit supports S.B. No. 1396, Relating to Economic Development.

This measure represents a crucial step forward in strengthening our state's economic and environmental resilience. Resiliency projects play a vital role in reducing hazard vulnerability by proactively addressing risks associated with natural disasters and climate change. By implementing funds towards mitigation and resiliency efforts such as flood mitigation, hardening homes for retrofits, and infrastructure reinforcement, we can minimize the impact of severe weather incidents and other threats before they escalate into crises. These investments help protect lives, property, critical infrastructure, and the environment, ensuring that our communities are better equipped to withstand and recover from disasters.

A well-prepared community significantly reduces the time it takes to recover from disasters. By investing in proactive measures rather than reactive responses, we can minimize economic disruptions, protect jobs, and ensure that essential services are restored quickly. A shorter recovery period means less strain on government resources, a faster return to normalcy for residents, and a more resilient local economy.

There is great value in resiliency projects as these proactive investments can radically reduce risks. For instance, retrofitting homes to withstand environmental hazards are proven to be a cost-effective avenue to reduce risks. In wildfire prone areas, implementing fire mitigation

strategies such as creating defensible space around properties or utilizing fire-resistant building materials can dramatically reduce the spread of wildfires.

Similarly, in flood prone regions, elevating structures above expected flood levels or strategically relocating them to safer areas can prevent devastating losses. In hurricane prone areas, retrofitting homes to withstand high winds can be a simple, yet incredibly effective upgrade through installing hurricane clips and/or larger structure envelope hardening. These measures ensure that homes remain intact and reduce costly repairs and displacement of families including short-term sheltering and long-term interim housing. As communities become more resilient, they become more attractive to businesses which foster long term economic revitalization.

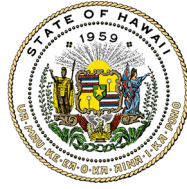
Despite the clear benefits of these resiliency projects, funding for such initiatives has traditionally been reliant on federal sources, particularly through the Federal Emergency Management Agency (FEMA) and other partners in the federal government. These funds are often nationally competitive in nature, require various matching funds, and can take years to secure, implement, and with no guarantee that our partners will secure funding. Senate Bill 1396 takes that step in addressing this gap by establishing a dedicated state level fund for climate mitigation and resiliency efforts. This will allow for a more strategic, long-term approach to resiliency planning and implementation.

To ensure the effective implementation of these resiliency initiatives, it is essential that a primary agency be designated to oversee the administration of these funds. This agency must possess the necessary expertise, be equipped with the appropriate resources, and ensure funds are allocated efficiently.

Hawai'i Office of Recovery and Resiliency (HI-ORR) supports this legislative measure to prioritize the advance of resiliency projects that will create a safer future for the people of Hawaii. Proactive investments in resilience today will greatly benefit generations to come.

If you have any questions on this testimony please contact Luke Meyers, Branch Chief of HI-ORR and State Disaster Recovery Coordinator for the Maui Wildfires. Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STEPHEN F. LOGAN
MAJOR GENERAL
ADJUTANT GENERAL
KA 'AKUKANA KENELALA

JAMES DS. BARROS
ADMINISTRATOR OF
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KAHU HO'OMALU PŌULIA

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF DEFENSE
KA 'OIHANA PILI KAUA
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STATE OF HAWAI'I
DEPARTMENT OF DEFENSE
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON SENATE BILL 1396,
RELATING TO ECONOMIC DEVELOPMENT

BEFORE THE SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT AND & TOURISM AND
AGRICULTURE & ENVIRONMENT

BY

JAMES DS. BARROS
ADMINISTRATOR
HAWAI'I EMERGENCY MANAGEMENT AGENCY

FEBRUARY 13, 2025

Aloha Chairs DeCoite and Gabbard, Vice-Chairs Wakai and Richards, and Members of both Committees:

Thank you for the opportunity to submit testimony to **SUPPORT** Senate Bill 1396.

The Hawai'i Emergency Management Agency supports this bill as it provides crucial funding for resiliency and climate mitigation projects, which are vital for preparing Hawai'i for increasingly frequent and severe climate impacts. HIEMA endorses any initiative that aims to strengthen and bolster the resilience of real properties within the communities of Hawai'i.

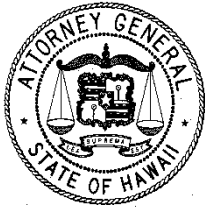
By establishing dedicated special funds, this measure ensures that the state can take swift and coordinated action to protect communities and ecosystems.

Additionally, this bill will reinforce Hawai'i's ability to prepare for and respond to climate-induced disasters, safeguarding public safety and minimizing future costs from climate-related damage.

This measure prioritizes climate resiliency in economic development projects, further ensuring that the state's infrastructure and tourism industries are better equipped to withstand future climate challenges; hence, HIEMA supports this measure, with the understanding that its passage will not negatively impact the priorities outlined in the Executive Budget.

Thank you for the opportunity to provide testimony supporting Senate Bill 1396.

James Barros: james.barros@hawaii.gov; 808-733-4300



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

S.B. NO. 1396, RELATING TO ECONOMIC DEVELOPMENT.

BEFORE THE:

SENATE COMMITTEES ON ECONOMIC DEVELOPMENT AND TOURISM AND ON
AGRICULTURE AND ENVIRONMENT

DATE: Thursday, February 13, 2025 **TIME:** 1:02 p.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): Anne E. Lopez, Attorney General, or John E. Cole or
Christopher J.I. Leong, Deputy Attorneys General

Chairs DeCoite and Gabbard and Members of the Committees:

The Department of the Attorney General provides the following comments.

This bill would establish the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, increase the Transient Accommodations Tax (TAT), and allocate a portion of the TAT to the two newly established special funds.

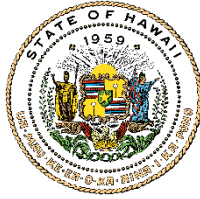
Section 2 of the bill would add a new chapter to the Hawaii Revised Statutes, which, among other things, would establish the Climate Mitigation and Resiliency Special Fund to be administered by the Department of Defense (page 4, line 16, to page 5, line 18). Included in the moneys to be deposited into the special fund are "[f]ees collected under this chapter or any rule adopted thereunder" (page 5, lines 1-2). However, the new chapter does not authorize the collection of fees. Accordingly, we recommend either deleting this provision or amending page 5, lines 19-21, to authorize the imposition and collection of fees through the adoption of rules:

§ -4 Rules. The adjutant general shall adopt rules pursuant to chapter 91 necessary for the purposes of this chapter~~[-],~~ including for the imposition and collection of fees.

Thank you for the opportunity to provide comments.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF LAND AND NATURAL RESOURCES
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DAWN N.S. CHANG
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BOARD OF LAND AND NATURAL RESOURCES
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RYAN K.P. KANAKA'OLE
FIRST DEPUTY

CIARA W.K. KAHANE
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
DAWN N. S. CHANG
Chairperson

Before the Senate Committees on
ECONOMIC DEVELOPMENT AND TOURISM
and
AGRICULTURE AND ENVIRONMENT

Thursday, February 13, 2025
1:02 PM

State Capitol, Conference Room 229 & Videoconference

In consideration of
SENATE BILL 1396
RELATING TO ECONOMIC DEVELOPMENT

Senate Bill 1396, establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund, increases the Transient Accommodations Tax, allocates a portion of the tax to the newly established special funds, and appropriates funds. **The Department of Land and Natural Resources (Department) supports this measure.**

According to the Climate Advisory Team's (CAT) policy recommendations, Hawai'i's first line of defense against climate change threats is a thriving environment. The CAT report prioritizes invasive species removal to lessen wildfire risk and fortify natural protections such as native forested watersheds and wetlands against storms. Forests and wetlands dramatically reduce erosion and flooding by holding soil and increasing water infiltration. Protecting Hawai'i's native forests is a priority action to secure Hawai'i's water supplies, which are increasingly affected by drought. Forests absorb cloud moisture, increasing water capture up to 50% more than rainfall alone. These actions directly mitigate climate change impacts and improve Hawai'i's adaptation to a changing climate. A study commissioned by the Greenhouse Gas Sequestration Task Force identified forest protection as the food and land use solution with the most impactful emissions reduction.

The Department supports establishing both the CMRSF and the EDRSF to close the funding gap for managing Hawaii's natural resources. For a more detailed understanding of specific projects that could

be supported by these funds, please explore our Division of Forestry and Wildlife's [interactive story map](#)¹, which highlights ongoing and potential environmental stewardship initiatives across the state. The CAT recommended that environmental investment and stewardship of public lands receive \$137.5 million per year.

Mahalo for the opportunity to testify on this measure.

¹ See <https://arcg.is/0GOFL10>



Hawai'i Climate Advisory Team

To: Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair
Senate Committee on Economic Development and Tourism

Senator Mike Gabbard, Chair
Senator Herbert M. "Tim" Richards, III, Vice Chair
Senate Committee on Agriculture and Environment

RE: **SB1396 - Relating to Economic Development - In Support**
Thursday, February 13, 2025, 1:02 pm, Conference Room 229 & Videoconference

Aloha Chairs DeCoite and Gabbard, Vice Chairs Wakai and Richards, and Members of the Committees,

Mahalo for the opportunity to support SB1396 relating to economic development. As members of the Governor's Climate Advisory Team (CAT), we believe the state must invest in bold actions to prepare for, mitigate, and adapt to the adverse impacts of climate change. This bill takes a major, important step in that direction by establishing a clear mechanism to fund the critical resilience work that must be done to protect homes, businesses, and lives in the face of extreme weather disasters.

The CAT is a volunteer group, convened by Governor Green to develop community-informed policy recommendations to help make Hawai'i more resilient to natural disasters. The CAT published its findings and recommendations in a [policy paper](#) in January 2025, which provides detailed context for the measures we are supporting this legislative session.

As a state, we face increasingly devastating risks of climate-related disasters, yet we lack a reliable, consistent funding source for disaster mitigation and resiliency efforts. If it persists, this imbalance threatens significant harm to Hawai'i's families, communities, businesses, economy, and precious natural resources. While funding alone will not solve the challenges we face from disasters, the CAT emphasizes the fact that a coordinated approach for state climate resiliency requires sustained financial support from sources that do not exacerbate the cost of living crisis Hawai'i's families face.

The first of the two special funds proposed in these bills – the Climate Mitigation and Resiliency Special Fund – is essential for helping Hawai'i's communities mitigate the impacts of climate-related disasters. **We strongly support the establishment of this fund and consider it among the most important steps that the state can take to address our recommendations.** The CAT's analysis conducted over the last six months finds that increasing the Transient Accommodation Tax (TAT) to a total of 12 percent would provide a substantial and likely consistent funding stream for disaster resiliency and economic revitalization initiatives while minimizing any direct financial hit to residents and the most vulnerable



Hawai'i Climate Advisory Team

populations of our state. While the stability of this revenue source is closely tied to visitor numbers which can vary, it is also tied to visitor impacts on the environment and our State's built infrastructure.

In the CAT's policy paper, we make several recommendations for climate mitigation and resiliency work that urgently requires coordinated action and funding by the state. These are specific areas where funding from the Climate Mitigation and Resiliency Special Fund should be directed to address the most pressing disaster-related threats we face:

- **Wildfire Risk Reduction:** Perpetual management of high-fire-risk vegetation to remove invasive grasses, bushes, and trees; replacing invasive-dominant areas with thriving native ecosystems; restoration and management of healthy forests; environmental stewardship of watersheds and streams to create and capture rainfall, recharge aquifers and reduce fire risk.
- **Hurricane and Tsunami Damage Mitigation:** Beach and dune conservation; coral reef management, stewardship, and restoration; fishpond restoration and stewardship of coastal wetlands that buffer communities from risk; restoration and management of native coastal vegetation and dunes; prevention of overgrowth of albizia and other high-risk trees that can topple onto homes, roads, and utility infrastructure.
- **Minimize Flooding Risk:** Management of healthy native watersheds and stream buffers to absorb rainwater, slow the speed and volume of runoff, and decrease flooding; vegetation management and maintenance of permeable surfaces to continue runoff absorption and slow flows; restoration of lo'i kalo and 'auwai systems; establishment or maintenance of natural retention areas in high-pavement or high-risk areas.

The CAT emphasizes that these types of climate mitigation and resiliency projects are critical investments in strengthening our environment as our first line of defense against disasters.

Environmental resiliency work in other states like California has been found to reduce wildfire risk and significantly reduce the cost of recovery when disasters do occur. Please see [Section 3.3 of the CAT's Policy Recommendations on Climate Disaster Resilience, Recovery and Funding](#) for more information.

Other projects funded by the Climate Mitigation and Resiliency Special Fund should be directed towards increasing the resilience of Hawai'i's communities. A tremendous amount of work is already underway by communities and homeowners themselves to enhance their own readiness, but more financial, organizational, and planning support from the state is needed to accelerate these efforts. Some of these initiatives have been proposed in separate legislation this session but could be funded through the Climate Mitigation and Resiliency Special Fund. These priority areas for community resilience are:

- **Establish a Home Retrofit Program:** Create a home retrofit grant program modeled after the Strengthen Alabama Homes program to fortify residential structures against wind damage.
- **Promote Community Resilience Through Pre-Disaster Education and Coordination:** Organize an annual conference focused on disaster prevention, preparation, and education to bring



Hawai'i Climate Advisory Team

together experts, local leaders, and community members to develop coordinated strategies to face disasters.

- **Promote Resilience Hubs:** Support resilience hubs across our communities through state funding for community-driven efforts to develop hubs and subsidization of ongoing operations.
- **Upgrade Emergency Communications:** Upgrade emergency communication systems and processes.

The CAT also supports the Economic Development and Revitalization Special Fund to the extent that this fund also prioritizes climate change resilience and adaptation.

Hawai'i's tourism industry depends on our state's land and natural resources. Investing now to protect our natural environment and local communities from the devastating impacts of climate-related disasters will help ensure Hawai'i remains a desirable travel destination for visitors. The proposed increase to the TAT to fund statewide resiliency and economic development initiatives is fair because it accounts for the visitor industry's impact on state resources and avoids added financial burden to our most vulnerable residents.

Thank you for the opportunity to testify before your committee in support of SB1396.

With aloha,

The Climate Advisory Team

Hawai'i Ocean Legislative Task Force



February 13, 2025

Hawai'i State Legislature
Senate Committee on Economic Development & Tourism
Senate Committee on Agriculture & Environment

Re: Testimony in SUPPORT of SB1396, Relating to Economic Development

Aloha Chairs DeCoite & Gabbard, Vice Chairs Wakai & Richards, and Members of the Committees,

The Ocean Legislative Task Force, a coalition of over 100 individuals and organizations committed to protecting Hawai'i's marine ecosystems, supports SB1396, Relating to Economic Development. This bill establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. Beginning January 1, 2026, it increases the Transient Accommodations Tax and allocates the additional revenue to the newly established funds.

Hawaii is facing a climate emergency, with rising temperatures, prolonged droughts, and increasingly destructive weather events threatening both its natural ecosystems and its residents. Without immediate and coordinated action, these climate impacts will continue to worsen, leading to severe consequences for public safety, infrastructure, and the economy. This bill provides a necessary framework for investing in climate mitigation and resiliency projects to safeguard the state's future.

Economic development in Hawaii is directly tied to its environment, particularly through tourism and community infrastructure. By establishing the Economic Development and Revitalization Special Fund, this bill ensures that growth and revitalization efforts are sustainable and resilient against climate change. Investing in these areas now will protect Hawaii's economy from climate-related disruptions and create long-term economic opportunities.

Funding these initiatives through an increase in the Transient Accommodations Tax is a strategic approach that places the responsibility on the tourism industry rather than burdening local residents. With Hawaii's tourism industry benefiting from the state's natural beauty, it is both logical and fair to allocate a portion of tourism revenue toward protecting and preserving the very resources that attract visitors. This bill is a necessary step to ensure Hawaii remains a thriving, resilient, and economically stable state for future generations.

Mahalo for the opportunity to testify in support of this important measure.

The Ocean Legislative Task Force advocates for measures that promote funding for natural resource protection and restoration, ocean resources, coral reefs, subsistence fishing, and coastal resilience, and other priorities.



Care for 'Āina Now Coalition

February 13, 2025

Senate Committee on Economic Development & Tourism
Sen. Lynn DeCoite, Chair, and
Members of the Committee

Senate Committee Agriculture & Environment
Senator Mike Gabbard, Chair, and
Members of the Committee

Re: The Imperative of Allocating Adequate Funding to Protect Natural Resources
Support SB 1396, Relating to Economic Development

Aloha kākou,

On behalf of our coalition's leadership committee, we are writing to support SB 1396 to generate funding for natural resource protection and restoration. The Care for 'Āina Now Coalition is on a mission to enhance visitor stewardship, conserve our cultural and natural resources, and invest in our 'āina to keep our community safe.

While we support the direction of this measure, we wish to work collaboratively with policy leaders to strengthen the potential impact this measure. The Care for 'Āina Now Coalition is composed of individuals and organizations dedicated to improving the management and protection of Hawai'i's natural resources for the benefit of our communities, economy, and environment. While we recognize the intent of this bill and its potential benefits, we also offer recommendations to ensure that it fully meets the urgent needs of our state. The growing impacts of climate change, including wildfires and severe flooding--in addition to the impacts of over-tourism--demand bold action, and we urge the legislature to make meaningful, long-term investments in safeguarding our island home.

At its core, our recommendation is for Hawai'i to significantly increase funding for natural resource management and restoration. Studies indicate that an additional \$560 million annually is required to address the current budget shortfall in protecting our islands from environmental threats. Without adequate investment, we will continue to see devastating wildfires, damaging floods, loss of biodiversity, and degradation of vital ecosystems. This measure represents an opportunity to help close this funding gap and build a more resilient future. However, we encourage the legislature to ensure that the proposed mechanisms in this bill align with the scale of our challenges and provide stable, long-term funding sources. We are requesting that:

- The Fund established by this bill be under the purview of the Department of Land and Natural Resources instead of the Department of Defense and attach it administratively. The committee should be responsible for management.

- Legislators ensure that the Fund can provide financial support to DLNR and DHHL.
- The measure should explicitly authorize funding for community projects and nonprofit partnerships.
- Language is added affirming Native Hawaiian claims to Public Land Trust revenue.
- The fund should prioritize projects that address climate resilience alongside other fund purposes.

In addition, we request that the committee include DHHL, the Office of Hawaiian Affairs, and the Office of Planning and that at-large members to have expertise in climate science, adaptation, or resilience. Hawai'i's natural resources are the foundation of our islands' health, safety, and economic well-being. Clean water, healthy forests, intact coral reefs, and stable coastlines are not luxuries—they are necessities for our survival that protect our communities from wildfire, coastal storm surge, and flooding and storm-related erosion events. We commend the legislature for its past leadership, particularly in declaring a climate emergency, and urge continued action to implement policies that translate this declaration into concrete solutions.

Legislators have a unique responsibility to enact policies that uphold our ethical duty to protect the environment now and for future generations. We encourage the committee to strengthen this measure by incorporating provisions that ensure transparent and equitable allocation of resources, prioritize community-led conservation efforts, and include accountability measures to track progress. Meaningful collaboration with local organizations and Indigenous knowledge holders will also be key to achieving the bill's goals.

In closing, we appreciate the opportunity to provide these comments on SB 1396. We urge the legislature to use this measure as a foundation for further action, ensuring that Hawai'i commits the necessary investments to protect our islands. By doing so, we honor our kuleana to safeguard our natural heritage for all who call this place home—now and in the future.

Thank you for the opportunity to comment on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Establish two new special funds and increase the TAT to feed them

BILL NUMBER: HB 1077, SB 1396

INTRODUCED BY: HB by NAKAMURA by request, SB KOUCHI by request (Governor's Package)

EXECUTIVE SUMMARY: Establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. Beginning January 1, 2026, increases the Transient Accommodations Tax. Allocates funds generated by the increase to the newly established funds.

SYNOPSIS: Adds a new chapter to the HRS to establish a new Climate Mitigation and Resiliency special fund. Moneys in the climate mitigation and resiliency special fund shall be used to advance projects addressing climate change impacts, including projects that mitigate, adapt to, or increase resiliency against climate change. Moneys may also be used for consultant, personnel, and administrative costs required to develop and implement the aforementioned projects.

Adds a new section to chapter 201, HRS, to establish a new Economic Development and Revitalization special fund. Moneys in the economic development and revitalization special fund shall be used for projects advancing: (1) Economic development or revitalization; (2) Infrastructure within tourism districts or resort areas; (3) Climate change mitigation, adaptation, or resiliency; and (4) Tourism marketing.

Amends section 237D-2, HRS, to increase the base rate of the transient accommodations tax and the transient occupancy tax from 9.25% to 11%. Increases the "transit period" rate of the tax to 12% until December 31, 2030.

Amends section 237D-6.5, HRS, to add two new earmarks to the TAT, redirecting 7.3% of revenue collections to each of the special funds established in this bill.

EFFECTIVE DATE: July 1, 2025.

STAFF COMMENTS: This is an Administration bill sponsored by the Office of the Governor and designated GOV-02 (25).

The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility,

create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

This bill creates a new special fund to implement and administer a new Community Readiness Centers program. The fund is fed by new earmarks on the barrel tax (HRS section 243-3.5). The program is to be administered by the Hawaii Emergency Management Agency.

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Special funds are pots of money that exist for a specific purpose and largely bypass the legislative appropriation process. The existence of hundreds of these special funds has often confounded those who seek answers to simple questions like “How much money does the State have?”

Our Legislature is supposed to be the steward of all state moneys, but special funds make it very easy to lose track of where the money is and how it is being spent. Departments are supposed to tell the Legislature if they have special funds and how much is in them, but let’s just say they don’t always. Recently, in Report No. 20-01, the State Auditor took DBEDT to task for failing to report \$6.5 million in non-general fund moneys. DBEDT’s response? Just that they’ll “take corrective action.” Not even a “Whoops! We screwed up and promise to do better next time!” This followed closely on the heels of Report No. 19-16, where the Auditor found that \$1.04 million in non-general fund moneys administered by the Attorney General wasn’t reported. That department responded that they “shall establish procedures to assure required reports are issued.” Is it any wonder that it’s getting harder and harder to follow the money and rein in government spending?

Perhaps as the result of the foregoing concerns, the Legislature has itself established criteria for when a special fund may be maintained (HRS section 37-52.3). Those criteria are that the special fund:

- (1) Serves a need, as demonstrated by:
 - (A) The purpose of the program to be supported by the fund;
 - (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
 - (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;

(2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;

(3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and

(4) Demonstrates the capacity to be financially self-sustaining.

| Here, there is no indication that the proposed funds s can be financially self-sustaining.
| Furthermore, the nexus between the means of financing (tax on transient accommodations) and
| the programs/activities (climate resiliency or economic revitalization) is questionable at best.
Establishing these special funds are thus inappropriate, as is the proposed method of financing
the funds.

Digested: 1/30/2025

Feb. 13, 2025, 1:02 p.m.

Hawaii State Capitol

Conference Room 415 and Videoconference

To: Senate Committee on Economic Development and Tourism

Sen. Lynn DeCoite, Chair

Sen. Glenn Wakai, Vice Chair

Senate Committee on Agriculture and Environment

Sen. Mike Gabbard, Chair

Sen. Herbert M. "Tim" Richards, III, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN OPPOSITION TO SB1396 — RELATING TO ECONOMIC DEVELOPMENT

Aloha Chairs, Vice-Chairs and other members of the committees,

The Grassroot Institute of Hawaii would like to offer its comments **in opposition** to [SB1396](#), which would increase the current state transient accommodations tax rate by approximately 17%, from 10.25% to 12%, , with the revenues from the tax increase to be directed to special funds intended to focus on climate, resiliency and economic revitalization projects.

Support for a TAT increase is often based on the faulty notion that the effect of the tax hike will fall exclusively on tourists. However, the TAT also directly affects Hawaii residents who need to stay in local transient accommodations when traveling interisland or simply seeking to enjoy a "staycation."

Beyond that, a large body of research demonstrates that increasing taxes on tourists can also affect both the competitiveness of Hawaii's tourism industry and the health of local businesses that depend upon tourism dollars — which means the tax affects most, if not all, Hawaii residents, albeit in many cases indirectly.

A 2017 European Union study on the impact of taxation on tourism in Europe found that high tourism taxes, passed on to tourists through higher prices, affected the competitiveness of particular destinations.¹ Coastal and leisure destinations in particular were most adversely affected by increases in tourism taxes, especially compared to locations that were more focused on business travelers.

In addition, occupancy taxes similar to Hawaii's TAT were singled out as inequitable and especially frustrating to tourists. The EU study recommended that countries that depend heavily on tourism should reduce their tourism taxes in order to increase competitiveness.

Even unique destinations are not immune from the effect of taxation on international arrivals. A study of the Maldives, a country that earns as much as 70% of its revenue from tourism taxes, found that a 10% increase in tourism taxes — an amount significantly lower than the increase contemplated in this bill — reduces demand by 5.4%.²

To put it plainly, increasing tourism taxes decreases the number of visitors.

In addition, policymakers cannot assume that tourism taxes will not have an additional effect on visitor spending. It is common sense to assume that tourists will compensate for higher tourism taxes by adjusting their budgets and spending less on dining, activities or shopping.

This is borne out by a study of the effect of an air passenger duty on the budget allocations of United Kingdom tourists. The study found that tourists compensated for the higher taxes by decreasing destination expenditures on items such as accommodations and food.³

Thus, increasing tourism taxes will ultimately hurt Hawaii's restaurants, stores and hotels, as tourists decrease their expenditures to compensate for the state's higher taxes.

This is on top of the fact that Hawaii already has some of the world's highest tourism taxes,⁴ making any additional hike a threat to the continued health of the industry and the businesses that depend on it.

¹ PricewaterhouseCoopers LLP, "[The Impact of Taxes on the Competitiveness of European Tourism](#)," European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, October 2017.

² Festus Fatai Adedoyin, Neelu Seetaram and George Filis, "[The Effect of Tourism Taxation on International Arrivals to a Small, Tourism-Dependent Economy](#)," Journal of Travel Research, Vol. 62, Iss. 1, pp. 135-153.

³ Haiyan Song, Neelu Seetaram and Sunh Ye, "[The effect of tourism taxation on tourists' budget allocation](#)," Journal of Destination Marketing and Management, March 2019, pp. 32-39.

⁴ Alison Fox, "[These Cities — Including 3 in the U.S. — Have the Most Expensive Tourist Taxes in the World, Study Shows](#)," Travel + Leisure, Aug. 12, 2022.

Tourism is such a critical part of the state's economy that even industries that are not directly linked to tourism are linked to businesses that are.

In addition, as I mentioned earlier, we should not ignore the fact that tourists are not the only ones who pay the TAT. For example, neighbor island residents who stay on Oahu for medical care, or families in need of a temporary dwelling after a natural disaster, must book either a hotel or a short-term rental. Likewise, medical professionals must stay somewhere while temporarily practicing in Hawaii.

In other words, a TAT increase will have a negative effect on the health of the state's tourism industry, its economy and the cost of living in general.

The worthiness of the purpose of this proposed tax increase would not negate the effect of that increase. If anything, it should prompt more careful analysis of the programs that would benefit from the tax revenues. Initiatives that use taxpayer money to support programs to help the environment or promote revitalization should be open to the scrutiny and accountability that accompany direct allocation from the general fund.

Finally, there is a certain irony in funding government programs aimed at "economic revitalization" via a tax that will burden Hawaii businesses and residents. The last thing Hawaii's economy needs is more taxes, regulation or special funds.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii



Testimony Before The
House Committee on Economic Development & Tourism (EDT)
House Committee on Agriculture & Environment (AEN)
IN SUPPORT OF SB1396
February 13, 2025, 1:02 p.m., Room 229 Via Videoconference

We are Olan Leimomi Fisher and Kevin Chang, Kua'āina Advocate and Executive Director, respectively, testifying on behalf of [Kua'āina Ulu 'Auamo \(or KUA\)](#). "Kua'āina Ulu 'Auamo" stands for "grassroots growing through shared responsibility," and our acronym "KUA" means "backbone." **Our mission is to connect and empower communities to improve their quality of life through the collective care for their biocultural (natural and cultural) heritage, serving as a "backbone organization" that supports creative, community-driven solutions to problems stemming from environmental degradation.** Hawai'i's biocultural resources continue to be negatively impacted by political, economic, and social changes, and the increasing dangers of climate change make fostering and empowering resilient communities acutely critical.

Currently KUA supports three major networks of: (1) over 40 mālama 'āina (caring for our 'āina or "that which feeds") community groups collectively referred to as E Alu Pū (moving forward together); (2) over 60 loko i'a (fishpond aquaculture systems unique to Hawai'i) and wai 'ōpae (anchialine pool systems) sites in varying stages of restoration and development, with numerous caretakers, stakeholders, and volunteers known as the Hui Mālama Loko I'a ("caretakers of fishponds"); and (3) the Limu Hui made up of over 50 loea (master experts) and practitioners in all things "limu" or locally-grown "seaweed." **Our shared vision is to once again experience what our kūpuna (ancestors) referred to as 'ĀINA MOMONA – abundant and healthy ecological systems that sustain our community resilience and well-being.**

KUA supports SB1396 with amendments, as a step towards 'āina momona.

This bill would increase the transient accommodations tax and allocate a portion to two newly established funds, the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. We appreciate that the preamble of this bill acknowledges that "the community" is a key player and partner with the Department of Defense and others "to provide for the safety, security, and wellbeing of Hawaii's places and people."

However, similar to HB1076 and HB1077 HD1, missing from SB1396 is the understanding and recognition that Native Hawaiian cultural values and stewardship practices already hold many of the solutions to prevent and mitigate the climate crisis. Engaging our local communities in direct environmental management and governance, often in collaboration with our state agencies, is key to overcoming the many challenges of our changing climate. As such, **if this measure is passed, we strongly urge that a dedicated portion of the proposed Climate Mitigation and Resiliency Special Fund specifically support and empower community-based individuals, groups, and organizations as essential partners with**

governmental agencies and/or private businesses in restoring, protecting, and caring for our shared biocultural resources.

As such, we suggest amendments as follows to SECTION 2., § -3 (b):

(b) Moneys in the climate mitigation and resiliency special fund shall be used to advance projects addressing climate change impacts, ~~including projects that mitigate, adapt to, or increase resilience against climate change.~~ including but not limited to, community-led projects utilizing traditional Native Hawaiian protocols and practices that mitigate, adapt to, or increase resilience against climate change. Moneys may also be used for consultant, personnel, and administrative costs required to develop and implement the aforementioned projects.

We appreciate the necessary, creative, and collaborative approaches our state supports that build up our incoming generations with intention, and in a way that benefits ongoing community efforts to support ecosystem regeneration.

The communities we work with are committed to ensuring the long-term health of our biocultural resources. They have depended on them for generations. **We believe our environment, the foundation of our very existence, is about long-term investment and a vision of ‘āina momona.** To get there it requires greater self-sufficiency including development of innovative and sustainable career pathways, mindsets, relationships, and resource flows for mālama ‘āina efforts led by the communities doing the work on the ground. Passing this bill out of your Committee will open an essential ‘auwai system toward reaching this vision.

Mahalo for considering our testimony. Please **PASS** SB1396 with our suggested amendments.

Aloha ‘Āina Momona no nā kau ā kau.



February 11, 2025

Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair
Committee on Economic Development and Tourism
Senator Mike Gabbard, Chair
Senator Tim Richards, Vice Chair
Committee on Agriculture and Environment
Senate
Hawaii State Legislature

Opposition to SB1396

Dear Chair DeCoite, Chair Gabbard, Vice Chair Wakai, Vice Chair Richards and Members of the Committees on Economic Development and Tourism and Agriculture and Environment,

Thank you for the opportunity to provide our testimony in opposition to SB1396.

Until the State of Hawaii and all four counties have shown that they are fairly and equitably collecting the full amount of Transient Accommodations Tax (TAT) and General Excise Tax (GET) that are legally due from **all** accommodations types – hotels, timeshares and short-term vacation rentals - the Kohala Coast Resort Association (KCRA) will consistently oppose any increases.

The KCRA conducts an economic and community impact report every two years. Through our attached 2024 report (based on 2023 data), we showed that the hotels and timeshares on the Kohala Coast paid the vast majority of the TAT collected from our island – more than \$75.7M. And yet, we represent only a portion of the hotels, timeshares, and short-term vacation rentals located on Hawaii Island.

Granicus/Host Compliance, which aggregates data from the hosting platforms and works with governments across the country to collect the taxes that are owed, has been delving into the impact of unpaid TAT in Hawaii. They have provided proposals to the State Department of Taxation, the City and County of Honolulu, and recently provided a report to Hawaii County leaders. They showed there were 8,700 unique short-term vacation rentals operating on our island as of November 2024, with an average daily rate of \$347/night.

With an average occupancy of 50%, based on DBEDT's vacation rental reports, if the TAT were equitably collected, those operators should have paid \$56.4M in TAT to the state, and \$16.5M in TAT to Hawaii County. And yet the budget line item for Hawaii County TAT for fiscal year 2023-24 was \$24M, \$17M of which was paid only by the members of the KCRA. **The math just doesn't add up.**

Before the Hawaii State Legislature considers raising the TAT for any purpose, we believe it needs to fully understand and collect the full amount of TAT and GET it is owed from all accommodations types. With that knowledge, you can then fully assess whether it is necessary to increase the TAT for this, or any other purpose.

Visitation to Hawaii is not a given. Visitors have more opportunities than ever before to visit destinations around the world. And Hawaii already has the reputation of having some of the highest visitor taxes in the world, as this article from the January 25, 2025 edition of Travel+Leisure attests - [What to Know About the Proposed Tourist Fee in Hawaii](#).

Hawaii's high visitor taxes aren't just being discussed by lawmakers and the visitor industry - the visitors, especially corporate meeting planners, are using our high visitor taxes as a justification to take their business to other destinations like Florida and Mexico.

Before the Legislature moves forward with any increases that could negatively impact the economic driver of our state, it needs to make sure that all state agencies charged with collecting taxes and visitor fees are doing so to their full capacity. Further, it needs to show visitors that the taxes they currently pay (TAT, GET, rental car fees, airport landing fees, ocean tourism fees, parking fees at parks like Hapuna Beach State Park) are being collected fairly, and used to address visitor impacts. With the vast majority of tax collections going into the state's general fund, there is no clear nexus.

On behalf our 5,500 employees and their 17,500 family members, we thank you for the opportunity to provide our comments in opposition to SB1396.

Sincerely,



Stephanie Donoho, Administrative Director

Craig Anderson, VP Operations, Mauna Kea Resort –President
Pat Fitzgerald, CEO, Hualalai Investors – Vice President
Charlie Parker, General Manager, Four Seasons Hualalai – Secretary
Daniel Scott, Managing Director Rosewood Kona Village – Treasurer
Chris Sessions, DOSM, Fairmont Orchid – Board of Directors
Scott Head, VP Resort Operations, Waikoloa Land Company – Board of Directors
David Givens, General Manager, Hilton Waikoloa Village – Board of Directors
Rob Gunthner, Area VP Resort Operations, Hilton Grand Vacations – Board of Directors
Pete Alles, Regional VP and GM, Mauna Lani, Auberge Resorts Collection – Board of Directors
Mark Goldrup, General Manager, Waikoloa Beach Marriott – Board of Directors



2024 Executive Summary - KCRA Economic and Community Impacts

- ❖ The Kohala Coast consists of a twenty-mile stretch on the northwest shore of the Island of Hawaii. The Kohala Coast is a part of both the North Kona and South Kohala districts of Hawaii County. The KCRA was established in 1984 by the developers of the master-planned resorts along the Kohala Coast. Over the last 40 years, the KCRA has grown to include Hualalai, Waikoloa, Mauna Lani and Mauna Kea Resorts, as well as the hotel and timeshare management companies located within those resorts.
- ❖ KCRA members have invested billions of dollars in private funding to develop and maintain the infrastructure within the resorts, which are utilized and enjoyed by residents and visitors alike. These include roadways, water, wastewater, parks, restrooms, shopping centers, historic sites, interpretive signage, and community facilities.
- ❖ When combined, the amount paid by KCRA members for GET, TAT, property taxes, payroll for their employees, construction and renovation projects, marketing efforts, agricultural enhancements, and charitable donations sums to more than \$815 million for 2023 alone.
- ❖ KCRA members operate 2,718 hotel rooms and 1,229 timeshares. The resorts also contain 778 resort residential units, home to both full and part-time Hawaii residents, as well as legal short-term vacation rentals. KCRA resorts also include shopping centers, golf courses, spas, and restaurants representing more than 100 small businesses.
- ❖ KCRA members represent 5 of the top 10 private employers on the island according to *Pacific Business News*. Collectively KCRA members employ nearly 5,500 residents, supporting more than 17,000 community members.
- ❖ The average salary and benefits package for employees of KCRA member properties is nearly \$82,000 per year, with starting salaries for full-time positions in the mid-\$50K. Starting hourly rates for employees average more than \$17.50/per hour.
- ❖ The vast majority of KCRA members' employees live in zip codes neighboring the Kohala Coast (96738, 96740, 96743, 96755, 96727). Less than 8 percent of KCRA members' employees live in East Hawaii (from 2022 report).
- ❖ In 2023 KCRA members paid more than \$44.3 million in GET and \$75.7 million in TAT to the State of Hawaii and County of Hawaii. KCRA's members, as well as the businesses and residents within our resorts, paid nearly \$151 million in property taxes to Hawaii County in 2023, accounting for more than one-third of all property taxes.
- ❖ Member resorts have spent more than \$658 million on construction and renovations since 2020. We also welcomed back Kona Village, which had been a previous member, was destroyed by the 2006 tsunami, and came back online in 2023. These construction upgrades allow Hawaii County to keep its competitive advantage as a visitor destination, while creating numerous jobs for other residents statewide in the construction industry. During the next six years our members will invest nearly \$1 billion more, including major hotel renovations at Mauna Kea Beach Hotel, and the creation of the first affordable rental housing project within a resort footprint in the State of Hawaii, with the development of Kumu Hou at Waikoloa Resort.
- ❖ KCRA members actively participate in the Hawaii Island Destination Management Action Plan (DMAP) and have led efforts on Hawaiian cultural education programming for visitors; promotion of local agricultural products through their restaurants and retail outlets; as well as stewardship and maintenance of the natural resources along the coastlines where resorts are located. KCRA resort employees supplement the work of our first responders and emergency services with privately funded safety and security personnel and lifeguard programs benefiting visitors and residents alike. In addition, KCRA members actively participate in the marketing and management activities of the destination, supplementing the funding allocated to the Hawaii Tourism Authority and Island of Hawaii Visitors Bureau, spending nearly \$200 million in private funds in the last four years.

- ❖ KCRA is proud that the leadership teams for our hotels, timeshare management companies and resorts are comprised of hundreds of local residents. At seven of our member properties more than 40% of their managers are from Hawaii, with one property leading our efforts with 85% of its management team from the state.
- ❖ KCRA members are incredibly generous, collectively donating more than \$2 million annually to local non-profit organizations. One signature event, hosted at KCRA member properties, is the Hawaii Lodging and Tourism Association's annual Visitor Industry Charity Walk. Since its inception more than 40 years ago, the Charity Walk has raised nearly \$20 million for local charities, and new fundraising records are established each year.
- ❖ In addition to their substantial financial contributions, employees at KCRA member properties also volunteer thousands of hours annually to community organizations. As leaders within their respective resort communities, KCRA members also introduce part-time and full-time residents who live in their respective resorts to philanthropic opportunities across the island and the state. As a collective, we work hard to address the high cost of living for members of our community who fall into ALICE designations.
 - KCRA members regularly support the Hawaii Island Food Basket, Salvation Army food drives, and their chefs and culinary teams provide support for community meal programs, such as the one at St. James Episcopal Church in Waimea, which reaches more than 950 families each week.
 - KCRA members are highly invested in environmental causes including: Four Seasons Resort Hualalai's Legacy Trees initiative, where more than 65,000 koa trees have been planted to protect watersheds; Mauna Kea Resort's partnerships with the Nature Conservancy and Hawaii Island Land Trust; and Fairmont Orchid's partnership with the Waikoloa Dry Forest initiative. KCRA members' employees and family members regularly gather for beach and road cleanup projects all along the Kohala Coast.
 - Many KCRA members volunteer with different hula halau, cultural clubs, sports teams and educational groups to showcase our island's diverse cultures and interests. Our members sponsor performances promoting the Hawaiian, Japanese, Portuguese, and Chinese cultures that make up our diverse island. We also host running, cycling, triathlons, paddling, golf, tennis and youth sports clinics and events.
 - Our KCRA team members serve on the board of directors for business, arts and cultural organizations; support educational, religious and community organizations; and even help defray the costs of education and home ownership, through our resident-driven ohana foundations.
- ❖ In addition to the arenas mentioned above, KCRA members provide vital support for other sectors including: retail – 3 shopping centers, restaurants, art galleries and pop-up small business incubators; services – real estate, architecture, landscape, interior design; special events – festivals, sports, weddings, photography, florists; natural resources stewardship - trails, bays, beaches, anchialine ponds, signage; and cultural preservation - historic sites, petroglyphs, and native Hawaiian cultural education programs.

Sustainable tourism management is exemplified by the members of the KCRA.

Craig Anderson, VP Operations, Mauna Kea Resort –President
 Pat Fitzgerald, CEO, Hualalai Investors – Vice President
 Charlie Parker, General Manager, Four Seasons Hualalai – Secretary
 Daniel Scott, Managing Director Rosewood Kona Village – Treasurer
 Chris Sessions, DOSM, Fairmont Orchid – Board of Directors
 Scott Head, VP Resort Operations, Waikoloa Land Company – Board of Directors
 David Givens, General Manager, Hilton Waikoloa Village – Board of Directors
 Rob Gunthner, Area VP Resort Operations, Hilton Grand Vacations – Board of Directors
 Pete Alles, Regional VP and GM, Mauna Lani, Auberge Resorts Collection – Board of Directors
 Mark Goldrup, General Manager, Waikoloa Beach Marriott – Board of Directors



HAWAI'I LAND TRUST

Senate Committee on Economic Development & Tourism
Senate Committee on Agriculture & Environment

Date: Thursday, February 13, 2025

Time: 1:02 PM

Place: CR 229 & via Videoconference

Re: **SUPPORT – SB 1396, Relating to Economic Development**

Aloha e Luna Ho'omalua DeCoite, Luna Ho'omalua Gabbard, Hope Luna Ho'omalua Wakai, Hope Luna Ho'omalua Richards a me nā Lālā o nā Kōmike:

Hawai'i Land Trust **SUPPORTS** SB 1396, which establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. This measure recognizes the urgent need to address the impacts of climate change while also supporting the long-term health of Hawai'i's communities, natural resources, and economy.

Hawai'i faces increasingly severe climate impacts, including rising sea levels, prolonged droughts, and devastating natural disasters. These challenges not only threaten our natural and cultural resources but also undermine the resilience of our communities and the stability of our economy. SB 1396 creates a framework to proactively invest in projects that enhance climate resilience, protect ecosystems, and strengthen Hawai'i's economy in the face of these growing challenges.

The Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund provide essential tools to safeguard Hawai'i's future. By supporting projects that address climate risks and foster sustainable economic growth, this measure ensures that Hawai'i's communities can adapt and thrive for generations to come.

'I ola ka 'āina, i ola kākou nei. Healthy lands support thriving communities. SB1396 is a critical step toward building a more resilient and sustainable Hawai'i.

Mahalo for this opportunity to testify,

'Olu Campbell

President and Chief Executive Officer



**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT AND TOURISM
and AGRICULTURE AND ENVIRONMENT**

FEBRUARY 13, 2025

SB 1396, RELATING TO ECONOMIC DEVELOPMENT

POSITION: SUPPORT

Coalition Earth **supports** SB 1396, relating to economic development, which authorizes the Department of Defense to fund projects that strengthen the State's resiliency against climate change; requires the Department of Defense to convene a selection committee to review and recommend projects for climate mitigation and resiliency special fund allocation; establishes the climate mitigation and resiliency special fund; supports resilient economic development and revitalization throughout the state by establishing the economic development and revitalization special fund; increases the transient accommodations tax and allocate a portion of the tax to the two newly established special funds; and appropriates funds into and out of the special funds.

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding. Additionally, an estimated \$19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-acre statewide sea level rise exposure area—one-third of which is designated for urban use—without risking massive structural damage and, potentially, great loss of life.

Just two years ago, we witnessed the impact of the climate emergency on our shores. On August 8, 2023, wildfires swept across Maui and killed at least 100 people, making it one of the nation's deadliest natural disasters. The spread of the fires has been attributed to climate change conditions, such as unusually dry landscapes and the confluence of a strong high-pressure system to the north and Hurricane Dora to the south. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly \$5.5 billion. Investing in renewable energy generation could not be more urgent, given the growing threat of climate catastrophes to our island home.

Therefore, **our state should take steps to accelerate our transition to a clean energy economy and continue our fight against climate change, including by implementing “green fees” that ensure our state’s visitors pay their fair share to sustain our ‘āina.** In 2019, Conservation International published a report on our need to boost funding to defend our islands’ natural resources. Entitled “Green Passport: Innovation Financing Solutions for Conservation In Hawai‘i,” the report concluded that the state has an annual spending gap of \$358 million to sufficiently manage its natural environment. **A 2024 update to this figure for the Care for ‘Āina Now Coalition found that the gap has ballooned to \$580 million,** while our natural and cultural resources provide over \$6 billion in value to our economy each year.

New Zealand, the Maldives, Cancun, and Venice, and numerous other countries have green fee programs for visitors, which vary from \$1 per night to a \$100 entrance fee for the purpose of environmental conservation. **Palau’s per-tourist investment in its natural environment is \$92, New Zealand’s is \$188, and the Galapagos Islands’ is \$373. Hawai‘i’s is just \$9 per tourist,** according to the Green Passport report. We need to catch up.

We are facing a similar gap when it comes to generating sustainable revenue to combat the worst effects of the climate emergency. In June of last year, the state reached a settlement agreement in the landmark case of *Navahine v. Hawai‘i Department of Transportation*, in which Gov. Josh Green acknowledged the constitutional rights of Hawai‘i’s youth to a life-sustaining climate and confirmed the commitment by HDOT to plan and implement transformative changes to Hawai‘i’s transportation system to achieve the state’s goal of net-negative emissions by 2045. The agreement included numerous provisions for climate action, such as:

- Establishing a Greenhouse Gas Reduction Plan within one year of the agreement, laying the foundation and roadmap to decarbonize Hawai‘i’s transportation system within the next 20 years;
- Creating a lead unit and responsible positions within HDOT to coordinate the mission of GHG reduction throughout the agency; oversee climate change mitigation and adaptation for the highways program; and ensure implementation of the Complete Streets policy of building and upgrading public highways for all users, ages, and abilities;
- Establishing a volunteer youth council to advise on HDOT mitigation and adaptation commitments in the years to come;

- Improving the state transportation infrastructure budgeting process to prioritize reduction of GHG and vehicles miles traveled (VMT) and transparently analyze and disclose the GHG and VMT impacts of each project and the overall program; and
- Making immediate investments in clean transportation infrastructure, including completing the pedestrian, bicycle, and transit networks in five years, and dedicating a minimum of \$40 million to expanding the electric vehicle charging network by 2030.

On January 28th, Gov. Green issued an executive order to promote and expedite the development of renewable energy in our state. Amidst uncertainty regarding renewable energy policy created by the Trump administration and concerns over grid stability across the state, the order accelerates renewable development for neighbor island communities to hit 100 percent renewable portfolio standards from 2045 to 2035, sets a statewide goal of 50,000 distributed renewable energy installations (such as rooftop solar and battery systems) by 2030, and directs state departments to streamline the permitting of renewable developments to reduce energy costs and project development timelines.

These ambitious actions are essential to the preservation of our state's and our keiki's future. We must ensure that funding is available to meet our obligation to safeguard our planet from the climate catastrophe for generations to come.

Coalition Earth is a nongovernmental organization that works to preserve the well-being of people and our planet. We champion policies that advance climate resilience, clean energy, public health, and economic fairness for working families. Contact us at info@coalitionearth.org.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEES ON ECONOMIC DEVELOPMENT AND TOURISM
and
AGRICULTURE AND ENVIRONMENT
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 229
Thursday, February 13, 2025, 1:02 P.M.**

Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair
Members of the committee on Economic Development and Tourism
Senator Mike Gabbard, Chair
Senator Herbert M. "Tim" Richards, III, Vice Chair
Members of the committee on Agriculture and Environment

OPPOSE SB1396 RELATING TO ECONOMIC DEVELOPMENT

The Maui Chamber of Commerce **OPPOSES SB1396** which establishes the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund and beginning January 1, 2026, increases the Transient Accommodations Tax.

Hawai'i already has a reputation for having the highest visitor taxes of any destination in the world. In addition to taxes on visitor accommodations, visitors are also subject to the general excise tax (GET), rental car fees and taxes on our roads, parking fees at state parks, and other taxes and fees assessed to activity-based businesses, all of which are passed down to the consumer.

While we appreciate the focus on economic development, we are deeply concerned about the impact this proposed increase will have on our visitor industry. Maui's visitor counts and spending remain low, and businesses are struggling. This proposed increase could further hinder our economic recovery, which is still below pre-pandemic levels and was severely impacted by the wildfires in August 2023.

For these reasons, we **OPPOSE SB1396**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

SB-1396

Submitted on: 2/11/2025 6:13:57 PM

Testimony for EDT on 2/13/2025 1:02:00 PM

Submitted By	Organization	Testifier Position	Testify
Kevin Faccenda	Individual	Support	Written Testimony Only

Comments:

I support this measure to divert money away from tourism and into projects which will enrich the lands of Hawai'i.

Thank you for the opportunity to testify,

Kevin Faccenda

SB-1396

Submitted on: 2/11/2025 12:11:55 AM

Testimony for EDT on 2/13/2025 1:02:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

Adapting to the challenges of worsening climate change driven natural disasters is non-negotiable for Hawaii. Our unique, vulnerable ecosystem needs to be strengthened. Our community resiliency needs to be strengthened. This measure seems appropriate and reasonable. I urge the Committee to SUPPORT this bill!