



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

**JOSH GREEN, M.D.**  
GOVERNOR

**CHRIS J. SADAYASU**  
DIRECTOR

**DANE K. WICKER**  
DEPUTY DIRECTOR

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Statement of  
**CHRIS J. SADAYASU**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**

Wednesday, April 5, 2023  
2:00 PM  
State Capitol, Conference Room 308

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

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee.

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

DBEDT acknowledges the positive and negative impacts of tourism and affirms its commitment to regenerative tourism, destination management, and the implementation of the destination management action plans for each island. The Department will collaborate with the Committee should it be determined that the Office of Destination Management will be established and will participate in any discussions related to its role and responsibilities.

Thank you for the opportunity to comment on this measure.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1522, S.D. 2, H.D. 1, Relating to Economic Development

**BEFORE THE:**

House Committee on Finance

**DATE:** Wednesday, April 5, 2023

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

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

S.B. 1522, S.D. 2, H.D. 1, dissolves the Hawaii Tourism Authority (HTA), and in its place establishes the Office of Destination Management (ODM), within the Department of Business, Economic Development, and Tourism (DBEDT), which will be governed by a newly created nine-member board of directors consisting of a member from each county within the State, and members of the following industries: hospitality, airline, and retail, as well as a member with a background in Hawaiian culture, and a member with a background in agriculture. The bill transfers the functions, duties, appropriations, and positions of HTA to ODM.

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

Section 8 of the bill, which begins on page 41, amends section 237-24.75(2), HRS, which exempts amounts received by the operator of the Hawaii Convention Center for reimbursement of costs or advances made pursuant to a contract with HTA under section

Department of Taxation Testimony  
S.B. No. 1522, S.D. 2, H.D. 1  
April 5, 2023  
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201B-7, by replacing references to HTA and section 201B-7 with references to ODM and section 201-C(c), respectively.

Section 9 of the bill, which begins on page 43, amends section 237D-6.5, HRS, which allocates transient accommodations tax revenues into various funds, by replacing references to section 201B-8, 201B-10, and HTA with references to the newly created sections 201-H and 201-J, as well as ODM, respectively.

The bill has a defective effective date of June 30, 3000; provided that sections 17, 18, 19, and 22 shall take effect on July 1, 2023; further provided that changes made to section 237D-6.5, HRS, shall not be repealed when that section is repealed and reenacted on June 30, 2023, pursuant to section 5 of Act 229, Session Laws of Hawaii 2021.

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

The Department anticipates no material revenue impact resulting from the tax provisions in this bill.

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



Hawai'i Convention Center  
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815  
kelepona tel 808 973 2255  
kelepa'i fax 808 973 2253  
kahua pa'a web hawaii tourismauthority.org

Governor

**John De Fries**  
*President and Chief Executive Officer*

LATE \*Testimony submitted late may not be considered by the Committee for decision making purposes.

Statement of  
**JOHN DE FRIES**  
Hawai'i Tourism Authority  
before the  
**COMMITTEE ON FINANCE**

Wednesday, April 5, 2023  
2:00 p.m.  
State Capitol Conference Room 308 & Videoconference

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

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Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee on Finance,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments on SB1522 SD2 HD1, which would establish the Office of Tourism and Destination Management to assume the rights, powers, functions, and duties of HTA.

In discussion among our board members and staff, there emerged a unanimous consensus in opposition of dissolving HTA. We recognize that the impacts of tourism are real and require management. As Hawai'i emerges from the pandemic, HTA continues its pivot to destination management initiated just before the onset of the pandemic. The pivot started with the adoption of our current strategic plan, and was further refined in the community-generated Destination Management Action Plans for each island. We believe in our model, the trust we are growing with our communities, and the results we are seeing across the islands.

Although we understand the preamble in Section 1 is not the focus of this committee's consideration today, we fundamentally disagree with the premise of the preamble. Respectfully and for the record, HTA has not received written notification of a procurement violation from the Head of Purchasing Agency, State Procurement Office, or the Office of the Attorney General. Whatever mistakes were made in the issuance of RFP 22-01 for the U.S. Major Market Area, none rose to the threshold of a procurement violation.

We appreciate the inclusion of \$50 million in general funds annually in this measure, as well as the inclusion of our requested \$28.5 million expenditure ceiling for the Convention Center Enterprise Special Fund. Our original request was for \$60 million in base funding annually, with a \$15 million one-time incremental for FY24 to get us back to an operational cadence following funding shortfalls in previous fiscal years.

We stand by our original request to fund our work in destination management, our community programs, visitor education, and representing the Hawaiian Islands brand in the markets.

Cutting funding to HTA means cutting funding to community efforts to manage tourism, beloved festivals and events, programs to protect our natural resources and preserve cultural practices, and efforts to educate visitors before they arrive in Hawai'i.

We would also like to renew our request for \$64 million in funding to permanently repair the Hawai'i Convention Center roof, an important state asset that faces more potential damage the longer the roof repair is delayed.

We look forward to a favorable outcome from your committee, and we appreciate the opportunity to offer these comments on SB1522 SD2 HD1. Mahalo.



April 5, 2023

2 p.m.

Conference Room 308 and via videoconference

**To: House Committee on Finance**

**Rep. Kyle T. Yamashita, Chair**

**Rep. Lisa Kitagawa, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Joe Kent, Executive Vice President**

RE: SB1522 SD2 HD1 — RELATING TO ECONOMIC DEVELOPMENT

***Comments Only***

Dear Chair and Committee Members:

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

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

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

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

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

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

While one can discuss how “destination management” will focus on “regenerative tourism” and wax poetic about what this will mean for future generations, the nuts and bolts of this bill present us with a government agency tasked with promoting tourism, marketing Hawaii as a destination, promoting events, overseeing the convention center and analysis of visitor data.

It is unclear how this is a significant change from the HTA. In fact, it looks more like an attempt to end debate over the future of the HTA through a cosmetic restructure. As such, it will frustrate efforts to engage with the question of the proper role of the government in the visitor industry while failing to achieve any significant change.

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

The Grassroot Institute is on record as opposing the use of taxpayer funds to support the visitor industry, which is well able to pay for its own promotion.

Renaming the agency that oversees tourism promotion would not change the fact that the state and counties should get out of the tourism business.

Whether we call it “destination management” or the HTA, tourism is too important to Hawaii for it to be entrusted to a government agency.

Thank you for the opportunity to testify.

Sincerely,

Joe Kent  
Executive vice president  
Grassroot Institute of Hawaii



*Maui Hotel & Lodging*  
ASSOCIATION

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

House Committee on Finance  
**Senate Bill 1522 SD2 HD1: Relating to Economic Development**  
April 5, 2023, 2:00 pm  
Conference Room 308

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry for Maui County. We represent over 180 property and allied business members and 22,000 employees. **MHLA offers comments for Senate Bill 1522 SD2 HD1**, which establishes an Office of Destination Management within the Department of Business, Economic Development, and Tourism. Requires the Office of Destination Management to implement certain county destination management action plans. Repeals the Hawaii Tourism Authority. Establishes and appropriates funds for a tourism liaison officer within the office of the governor.

MHLA is grateful for the continued discussions about maintaining tourism marketing and destination management efforts for our State. **SB1522 SD2 HD1** lays out a good model for a tourism organization, but it still questions why we dismantle the already existing tourism authority.

MHLA continues to be concerned with a total restructuring of a tourism authority while we are still in recovery mode and seeing softer numbers for the second half of 2023.

**MHLA respectfully submits these comments for your consideration for Senate Bill 1522 SD2 HD1.**

Thank you for the opportunity to provide this testimony.





# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON  
FINANCE  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308  
WEDNESDAY, APRIL 5, 2023 AT 2:00 P.M.

To The Honorable Kyle T. Yamashita, Chair  
The Honorable Lisa Kitagawa, Vice Chair  
Members of the Committee on Finance

## COMMENTING ON SB1522 SD2 RELATING TO ECONOMIC DEVELOPMENT

The Maui Chamber of Commerce offers **comments on SB1522 SD2** which establishes an Office of Tourism and Destination Management within the Department of Business, Economic Development, and Tourism that encompasses regenerative tourism and best practice destination management; transfers the functions, duties, appropriations, and positions of the Hawai'i Tourism Authority to the Office of Tourism and Destination Management; requires the Office of Tourism and Destination Management to implement certain county destination management action plans; and dissolves the Hawai'i Tourism Authority and the Board of Directors for the Hawai'i Tourism Authority.

The Chamber understands that Hawai'i's tourism industry must change. The community has long expressed concerns about the impacts of tourism to our communities, the environment, and our local lifestyle and sense of place. The pandemic pushed resident sentiment past a tipping point. HTA responded with its new Strategic Plan and Destination Management Plans (DMAP) that collectively envisioned a new regenerative model for the visitor industry – one that embraces and supports our culture and community, and gives more than it takes.

We participated in the Maui Nui DMAP plan and appreciated the work that the participants put into the plan. It is one of the planning processes we have been a part of that when they say they will give quarterly updates, they actually do give the updates. The HTA DMAP workgroups always would get a high level of engagement.

While we appreciate that the intent of SB 1522 is to advance the transformation of Hawai'i's chief economic driver, we worry that overhauling the state's entire tourism support system will actually be counterproductive. We understand the concerns regarding the administration of the two previous RFPs for marketing and destination management. We agree that policy improvements are merited. However, dismantling the state entity leading the change will only slow progress at this pivotal moment for the industry.

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.



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

## Testimony commenting on SB1522 SD2 Page 2

HTA also has significant relationships built nationally and internationally. The Chamber is concerned that this drastic change may reduce the momentum on the DMAPs and move toward regenerative tourism. This change could also hurt those relationships that took so long to build.

Before this drastic step is taken, we feel it is important to convene a forum of key statewide stakeholders and have an open forum with the public where dialogue and meaningful discussions can take place to address community concerns, new opportunities, and new ways of reaching markets to find winning and sustainable solutions.

There was also great collaboration through the creation of the DMAPs and that could be broadened to garner additional input and look at other fixes. It is difficult to not be concerned about such a drastic shift where we could lose significant momentum without a very detailed plan in place.

Thank you for the opportunity to offer **comments on SB1522 SD2**.

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-1522-HD-1**

Submitted on: 4/5/2023 11:06:20 AM

Testimony for FIN on 4/5/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Scott Young MD	Individual	Support	Written Testimony Only

Comments:

very supportive we need overtourism management not marketing, Quality over quantity tourism!!