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TESTIMONY OF
CAROLINE ANDERSON
Interim President & CEO
Hawai'i Tourism Authority

before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Tuesday, March 17, 2026
1:00 p.m.
State Capitol, Room 229

In consideration of
HB 1950, HD1
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Aloha Chair DeCoite, Vice Chair Wakai, and Members of the Committee:

The Hawai'i Tourism Authority supports HB 1950, HD1.

HB 1950, HD1 would dedicate a percentage of transient accommodations tax revenues to a special fund for state-led marketing, branding, and tourism management. HTA supports that concept and, more importantly, supports restoring a percentage-based TAT allocation. HTA recommends that this percentage be restored to the Tourism Special Fund rather than placed into a newly created fund. Restoring the percentage to the Tourism Special Fund would preserve greater clarity and better reflect the original purpose of dedicating TAT revenues to support the visitor industry and address the public impacts of tourism. Furthermore, a dedicated funding source will provide a consistent mechanism amid market volatility, allowing HTA to adapt to market changes, secure timely sponsorships, and enter multi-year contracts to launch campaigns that sustain visitor demand while enhancing visitor experiences.

What is most meaningful about this bill is that it helps restore the long-standing principle that a portion of transient accommodations tax revenues should be reinvested in the visitor industry and in addressing the public impacts of tourism. Hawai'i's TAT was never meant to function only as a general revenue source. From the creation of the tax, and especially with the 1998 restructuring that created HTA and the Tourism Special Fund, the Legislature recognized that a portion of TAT revenues should be returned to tourism-related purposes, including marketing, visitor assistance, and infrastructure and services affected by tourism.

HTA supports restoring a percentage of the TAT because a percentage-based structure is the right one. As visitor spending rises, the impacts of tourism also rise. Those impacts are felt by the people who work in the industry, by communities across the state, and by the natural and cultural resources that make Hawai'i a world-class destination. A percentage-based allocation allows the State's reinvestment to grow with the visitor economy instead of staying flat while those pressures increase.

Over time, that original structure was diluted. The share going to the Tourism Special Fund was reduced, and the State moved away from a model where reinvestment consistently kept pace with the overall growth of tourism.

HTA also supports this bill because it relates to resident sentiment. Over time, the State moved away from the original percentage-based structure that allowed reinvestment in tourism management and impact mitigation to grow along with visitor activity. During that same period, resident sentiment that tourism brings more benefits than problems also declined. In 2010, that measure stood at 80 percent. By 2012, it had fallen to 67 percent, and it continued to decline in the years that followed before improving to 58 percent in Spring 2025. We are not suggesting that changes in TAT allocations alone caused changes in public opinion. But we do believe the pattern is meaningful. It suggests that when reinvestment does not keep pace with tourism's growth and impacts, resident support is harder to sustain.

We believe the data also suggests that resident support is stronger when people believe tourism is being managed and when they see tourism revenues being reinvested to address impacts. If Hawai'i expects tourism to continue generating major public revenue, then the State should also maintain a funding structure that keeps destination management and impact mitigation commensurate with that growth.

That is why HTA supports HB 1950, HD1. Restoring a percentage of the TAT would restore clarity and confidence to the industry, and restoring that percentage to the Tourism Special Fund would better align the bill with the broader historic purpose of these revenues: supporting the visitor industry, managing tourism responsibly, and addressing tourism's public impacts.

HTA respectfully seeks clarification on key implementation issues to ensure continuity and effectiveness. The bill requires that all expenditures from the new special fund depend on legislative approval of a comprehensive plan "before the beginning of the fiscal year." If a concurrent resolution is not adopted by that date, spending could halt, disrupting active campaigns, time-sensitive opportunities, and existing contracts. HTA requests guidance on what occurs if legislative action is delayed and whether an interim authority or contingency process is intended to prevent an operational standstill.

Mahalo for the opportunity to provide testimony in support of HB 1950, HD1.



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Tuesday, March 17, 2026
1:00 PM
State Capitol, Conference Room 229

In consideration of
HB 1950, HD1
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

Chair DeCoite, Vice Chair Wakai, and Members of the Committee:

The Department of Business, Economic Development and Tourism (DBEDT) **supports** HB1950, HD1, which establishes the State-led Marketing and Branding Special Fund requires that a portion of all transient accommodations taxes be deposited into the special fund, to be used for state-led marketing, branding and tourism management, and requires DBEDT to develop and submit to the Legislature an annual comprehensive marketing, branding and tourism management plan.

In calendar year 2025, total visitor spending is estimated at \$21.75 billion, with approximately \$3.04 billion in state tax revenue, and Hawai'i tourism supporting approximately 222,000 jobs directly and indirectly.

The Hawai'i Tourism Authority, administratively attached to DBEDT, is responsible for protecting the iconic brand of the Hawaiian Islands, including perpetuating the Hawaiian culture, preserving Hawai'i's natural environment and strengthening communities by managing tourism in a way that helps improve the quality of life for residents, families and communities.

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This measure would help the HTA fulfill its mission as dedicated funding will provide the tourism industry with a strong indicator of support for destination marketing and promotions and curates visitor quality by enabling targeted marketing to attract respectful and high-value visitors. Structured and reliable funding will ensure economic resilience by ensuring that Hawai'i is able to maintain global competitiveness in tourism – supporting responsible destination marketing aligned with sustainable tourism principles – especially as the industry recovers from the impacts of the COVID-19 pandemic, the August 2023 Maui wildfires, and tariffs.

We look forward to continued collaboration to achieve Hawai'i's branding and tourism management goals.

Thank you for the opportunity to testify in support of this measure.



LATE

COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Senator Lynn DeCoite, Chair

Senator Glenn Wakai, Vice Chair

DATE: Tuesday, March 17, 2026

RE: HB 1950, HD1 – RELATING TO THE TRANSIENT ACCOMMODATIONS TAX

POSITION: STRONG SUPPORT

FROM: **Jerry Gibson**, President, Hawai'i Hotel Alliance
Kekoa McClellan, Chief Advocate, Hawai'i Hotel Alliance
& AHLA Hawai'i Spokesperson

Aloha Chair DeCoite, Vice Chair Wakai, and Members of the Committee,

Together the membership of the Hawai'i Hotel Alliance (HHA) and American Hotel & Lodging Association (AHLA) represent the heartbeat of Hawai'i's hospitality industry—the dedicated operators and owners of the hotels, resorts, and lodging facilities that serve as the primary economic engine for our State and our more than 110,000 member employees. Our mission is to ensure that the visitor industry remains a sustainable, regenerative force that provides meaningful careers for our residents and preserves the unique quality of life we enjoy in the islands.

HHA and AHLA stand in **STRONG SUPPORT** of **HB 1950, HD1**, which establishes a dedicated funding mechanism for state-led marketing and branding through a dedicated set percentage of existing Transient Accommodations Tax (TAT) collections.

The Profitability Crisis: Beyond the Room Rate

While headlines often focus on high average daily rates (ADR), those numbers mask a brewing "margin crisis." The Hawai'i hotel industry is currently navigating its most precarious financial position in two decades. We are witnessing a severe compression where property-level costs are rising significantly faster than revenue.

- **Fixed Cost Surges:** Since 2019, unavoidable costs—including property insurance premiums and taxes—have skyrocketed, in some cases doubling.
- **Variable Cost Inflation:** Utilities, supplies, and food costs have increased by 20–30%. The recent 25.75% rate increase for inter-island shipping effective January 2026 directly compounds the cost of every input moving across the state.
- **Labor & Benefits:** We remain committed to providing thriving wages, yet the cost of maintaining this workforce involves an average of 78 cents in benefits for every wage dollar paid.

The Strategic Necessity of Continuous Marketing

In a global marketplace, Hawai'i does not have the luxury of silence. "Brand Hawai'i" is our most valuable intangible asset, yet it is under constant pressure from well-funded competing destinations. This bill recognizes that marketing dollars are not a "cost" to be minimized, but an investment to be maximized.

By tying funding to a percentage of existing TAT collections, the State creates a self-scaling model: when the industry thrives, we reinvest in our brand; when the industry faces headwinds, we have the guaranteed resources necessary to fight for market share. This stability allows the private sector to align its own significant marketing spend with the State's broader vision, creating a "multiplier effect" that amplifies Hawai'i's presence globally without placing the entire burden on the taxpayer.

Tourism as a Pillar of Hawai'i's Social and Cultural Fabric

Tourism in our established resort districts is far more than a transaction; it is additive to the social fabric of Hawai'i. Our member hotels are often the largest employers and community partners in their respective districts. Beyond the hundreds of millions of dollars returned to the State's coffers to fund schools, roads, and social services, our industry provides the following:

- **Host Culture & Education:** Our resorts celebrate and perpetuate Hawaiian culture, employ practitioners, and provide platforms for artisans and musicians to share their talents with the world. We are incubators for environmental and cultural stewardship, and embrace this role by providing careers for kama'āina rooted in these fields.
- **Natural Resource Protection:** The revenue generated by TAT—specifically as collected by the Green Fee, by the County's 3% TAT surcharge, and by General Fund appropriations of the TAT to DLNR, DOT, and DAB—provides critical funding to the protection and maintenance of our State's natural resources.
- **Economic Stability:** By focusing on state-led, managed growth, we can curate a visitor profile that respects our environment and local customs, ensuring that tourism remains a "lifeline" for the **222,000 residents whose jobs depend on a healthy visitor economy.**

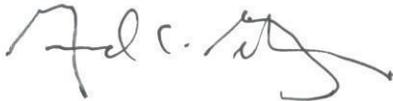
Maximizing Value for the State

Legal tourism within our designated resort districts is the most efficient and highest-value form of economic activity for the State. It allows for the concentration of infrastructure and services while protecting our residential neighborhoods. HB 1950, HD1 ensures the revenue generated by these districts is reinvested strategically to protect the very industry that creates it.

The requirement for an annual comprehensive plan submitted to the Legislature ensures transparency and alignment with our shared state goals of tourism management and community-first branding. In this way, the State can direct and concentrate branding where we want it to be while also visualizing a measurable return on our annual marketing investment.

We urge this Committee to pass this measure to ensure Hawaii remains competitive and economically resilient for generations to come.

Mahalo for the opportunity to testify and for your consideration of this measure.



Jerry Gibson
President, Hawaii Hotel Alliance



Kekoa McClellan
Chief Advocate, Hawaii Hotel Alliance,
& AHLA Hawaii Spokesperson

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Earmark Portion of Tax to State-led Marketing and Branding Special Fund

BILL NUMBER: HB 1950 HD 1

INTRODUCED BY: TOU/ECD

LATE

EXECUTIVE SUMMARY: Establishes the State-led Marketing and Branding Special Fund and requires that a portion of all transient accommodations taxes that would otherwise be deposited into the general fund be deposited into the special fund, to be used for state-led marketing, branding, and tourism management. Requires the Department of Business, Economic Development, and Tourism to develop and submit an annual comprehensive marketing, branding, and tourism management plan to the Legislature. Effective 7/1/3000. (HD1)

SYNOPSIS: Adds a new section to chapter 201, HRS, to establish a new State-Led Marketing and Branding Special Fund.

Amends section 237D-6.5, HRS, to earmark ___% of TAT to the new special fund.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This measure increases the earmarking of TAT revenue with a new earmark to a new special fund.

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.” 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 new marketing special fund is or can be financially self-sustaining. There is no explanation of why destination marketing cannot be funded out of general appropriations as it is now. This special fund is thus inappropriate, as is the proposed method of financing the fund.

Furthermore, with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether too little or too much revenue has been diverted from other priorities in the state budget.

The bill includes an unspecified percentage for the earmark. That is important information. The bill cannot be vetted properly unless a number is inserted.

We note that the Rules of the House and of the Senate specify that proceedings are to follow Mason's Manual of Legislative Procedure published by the National Conference of State Legislatures. Mason's Manual specifies, in section 416-8 of its 2020 edition, that "When proposals containing blanks are introduced, these must be filled before other motions to amend are entertained."

Digested: 3/16/2026



March 13, 2026

Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair
Committee on Economic Development and Tourism
Hawaii State Legislature

Support for HB1950 HD1

Dear Chair DeCoite, Vice Chair Wakai and Members of the Senate Committee on Economic Development and Tourism,

On behalf of the Kohala Coast Resort Association (KCRA) thank you for providing us with the opportunity to provide our **STRONG SUPPORT of HB1950 HD1** creating the Marketing and Branding Special Fund, and setting aside fifteen percent of state Transient Accommodations Taxes (TAT) for this important purpose.

Hawaii has been struggling without dedicated marketing dollars for far too long. We see our competitors gaining a greater percentage of our market share and now is the time to act.

As was presented during the Pacific Asia Travel Association and Travel and Tourism Research Association's economic summit last month in Waikiki, global competitors continue to out-pace Hawaii, and Honolulu was not in the top 10 searches for travel for nearly a year! We need to reverse these trends as the tourism sector is the state's economic engine.

It is also important for those involved in the accommodations sector to see where the TAT is allocated. This dedicated use of the tax – to market and brand Hawaii – is why the tax was initially created, and we would like to see money dedicated for that purpose once again.

We urge you to continue to move this important legislation forward.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is fluid and cursive.

Stephanie Donoho, Administrative Director, Kohala Coast Resort Association

Craig Anderson, Mauna Kea Resort –President
Charlie Parker, Four Seasons Hualalai – Vice President
Mark Goldrup, Waikoloa Beach Marriott – Secretary
Pete Alles, Mauna Lani, Auberge Resorts Collection – Treasurer
Pat Fitzgerald, Hualalai and Mauna Lani Resorts – Board of Directors
Daniel Scott, Rosewood Kona Village – Board of Directors
Samantha Jones, Fairmont Orchid – Board of Directors
Scott Head, Waikoloa Land Company – Board of Directors
Nick Kuhns, Hilton Waikoloa Village – Board of Directors
Rob Gunthner, Area VP Resort Operations, Hilton Grand Vacations – Board of Directors



Maui Hotel & Lodging
ASSOCIATION

COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Senator Lynn DeCoite, Chair
Senator Glenn Wakai, Vice Chair

March 16, 2026

Testimony in Support of HB1950 HD1

Relating to the State-Led Marketing and Branding Special Fund

Aloha Chair DeCoite, Vice Chair Wakai, and Members of the Committee:

Thank you for the opportunity to provide testimony in strong support of HB1950 HD1, which establishes a State-led Marketing and Branding Special Fund supported by a dedicated portion of Transient Accommodations Tax (TAT) revenues.

Hawai'i's visitor industry remains a foundational pillar of the state's economy. With more than 1.4 million residents and over 200,000 jobs tied directly to tourism, the health of this sector has far-reaching impacts on families, small businesses, and communities across the islands. Ensuring that Hawai'i maintains a strong and strategic presence in the global travel marketplace is essential to protecting these livelihoods and sustaining the state's economic stability.

HB1950 HD1 recognizes that effective destination marketing and brand management are not discretionary expenses but strategic investments. By dedicating a set percentage of TAT revenues to state-led marketing, branding, and tourism management, the State can ensure that its efforts are scaled appropriately to the performance of the visitor industry. When tourism is strong, Hawai'i can reinvest in protecting and strengthening its brand. During downturns, the State will retain guaranteed resources needed to maintain market visibility and compete for visitors.

A consistent funding mechanism is critical in today's competitive global tourism environment. Many destinations invest heavily in marketing and brand positioning to attract visitors. Without stable funding, Hawai'i risks losing market share to competing destinations. This bill provides the State with the tools necessary to maintain visibility while also shaping the type of visitor experience that aligns with Hawai'i's cultural values and environmental stewardship.

Importantly, state-led marketing allows Hawai'i to be intentional about the visitors it attracts. Strategic marketing efforts can focus on visitors who stay longer, spend more locally, and demonstrate respect for Hawai'i's culture, communities, and natural resources. This targeted approach supports a more sustainable visitor industry that benefits residents and businesses alike.

Economic research consistently demonstrates that destination marketing generates measurable returns on investment. Each dollar spent on effective tourism marketing results in increased visitor spending and higher collections of both the general excise tax and the transient

accommodations tax. In this way, strategic marketing investments help sustain the very revenue streams that support essential public services throughout the State.

HB1950 HD1 also includes important accountability measures by requiring the responsible department to submit an annual comprehensive marketing, branding, and tourism management plan to the Legislature for approval. This requirement ensures transparency, alignment with statewide priorities, and legislative oversight of how public funds are used.

For these reasons, I respectfully urge the Legislature to support HB1950 HD1 and establish a reliable funding mechanism that will strengthen Hawai'i's ability to manage its visitor industry, protect its global brand, and sustain the economic well-being of its residents.

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

John Pele

Executive Director- Maui Hotel and Lodging Association