

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



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I**  
**DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

Wednesday, April 8, 2026  
2:00 p.m.  
State Capitol, 308

**SB2698, SD2, HD1**  
**RELATING TO TRANSPORTATION**

House Committee on Finance

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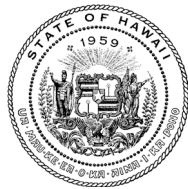
The Department of Transportation (DOT) supports this measure that authorizes the DOT to assess a per passenger head fee against cruise ships docking in the State's commercial harbors, establishes the Cruise Ship Special Fund, and repeals existing law imposing the transient accommodations tax on cruise ships.

The DOT recognizes the intent of this bill to generate revenue for port facilities and capital improvements through a new per passenger fee and we appreciate the Legislature's efforts to address the ongoing need for funding to maintain and upgrade our critical maritime infrastructure. DOT requests the legislature consider setting the fee amount to \$10.00. Based on cruise ship passenger counts from Fiscal Year 2025, we estimate the annual revenue generation from this fee if it is set at \$10.00 equals \$9.7 million. This revenue will be used to maintain berths and facilities where cruise ships operate, including substructure repair, bollard and fender replacements, dredging, and passenger terminal improvements (e.g., air conditioning, restrooms, elevators). These funds can also be used for projects that address or mitigate the impacts of coastal erosion, changing sea conditions, and pollution.

Thank you for the opportunity to provide this testimony.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2698, S.D.2, H.D.1, Relating to Transportation

**BEFORE THE:**

House Committee on Finance

**DATE:** Wednesday, April 8, 2026

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

**LOCATION:** State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2698, S.D.2, H.D.1, for your consideration.

S.B. 2698, S.D.2, H.D.1, amends chapter 266, Hawaii Revised Statutes (HRS), governing the Department of Transportation Harbors Division, by adding new sections imposing a per passenger "head fee" of an unspecified amount, against any cruise ship that docks in any commercial harbor in Hawai'i. The fee would be assessed at each port entry in the State and would be in addition to existing port user fees. The fees would be deposited in the Cruise Ship Special Fund to be used solely for port facility and capital improvement projects in support of cruise ship operations as authorized by the Director of Transportation.

Sections 3 and 4 of the bill amend sections 237D-1 and 237D-2, HRS, to repeal the imposition of the transient accommodations tax on cruise fares.

The measure has a defective effective date of July 1, 3000, provided that sections 2, 3, and 4 are effective retroactively to January 1, 2026.

DOTAX notes that it can implement the tax law changes in sections 3 and 4 in this bill by the proposed effective date.

DOTAX further notes that it estimates that sections 3 and 4 will result in the following revenue loss:

**General Fund Impact (\$ millions)**

<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>	<b>FY 2032</b>
-28.6	-27.3	-25.8	-23.3	-20.5	-21.2

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



TESTIMONY OF  
**CAROLINE ANDERSON**  
Interim President & CEO  
Hawai'i Tourism Authority  
before the  
**HOUSE COMMITTEE ON FINANCE**

Wednesday, April 8, 2026  
2:00 p.m.  
State Capitol, Room 308 and Videoconference

In consideration of  
**SB 2698 SD2 HD1**  
**RELATING TO TRANSPORTATION**

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

The Hawai'i Tourism Authority (HTA) offers comments on SB 2698 SD2 HD1, which would establish a per-passenger head fee on cruise ships assessed at each port entry in the State. It would also create a Cruise Ship Special Fund and limit its use to port facilities and capital improvement projects that support cruise ship operations. In addition, the bill would repeal the existing framework that applies the transient accommodations tax (TAT) to cruise ship cabins and fares.

HTA believes SB 2698 SD2 HD1 addresses several industry concerns regarding the framework established by Act 096. First, a flat, per-passenger fee assessed at each port call is easier for cruise lines to forecast and administer than a percentage-based tax applied to cruise fares.

Second, the per-passenger approach is a more practical and fair way to assess a charge comparable to a transient accommodations tax, because cruise purchases are typically sold as bundled packages that include much more than onboard lodging. A flat fee acknowledges that difference and reduces the complexity of applying an accommodation-style tax to a bundled product.

Third, directing fee revenues into a dedicated Cruise Ship Special Fund provides a clearer, more transparent path for how those revenues are spent. By limiting the fund to port facility and capital improvement projects that support cruise ship operations, the bill strengthens the connection between the fee paid and the benefit provided at the locations cruise ships and passengers use.

Focusing the fund on port facilities and capital improvement projects can support infrastructure upgrades that enable ports and maritime operators to meet sustainability and operational expectations. This approach would be consistent with the environmental intent of Act 096 by supporting investments that reduce impacts and improve environmental performance in maritime operations.

Mahalo for the opportunity to provide comments on SB 2698 SD2 HD1.



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308  
WEDNESDAY, APRIL 8, 2026 AT 2:00 P.M.**

To The Honorable Representative Chris Todd, Chair  
The Honorable Representative Jenna Takenouchi, Vice Chair  
Members of the Committee on Finance

## **COMMENTS ON SB2698 SD2 HD1 RELATING TO TRANSPORTATION**

The Maui Chamber of Commerce appreciates the opportunity to provide comments on SB2698 SD2 HD1, which would require the Department of Transportation to assess a per-passenger head fee on cruise ship passengers docking in the State's commercial harbors.

The Chamber agrees that a per-passenger head fee is a more appropriate and transparent approach than the percentage-based structure established under Act 096 for ensuring that cruise ships contribute to our systems.

At the same time, we encourage careful consideration of the current economic climate. Hawaii, and Maui in particular, is experiencing a softer visitor market and ongoing economic challenges. Cruise ship passengers provide important support to local businesses by visiting activities, retail shops, restaurants, and other small businesses that are still recovering, especially after the 2023 wildfires.

Given these circumstances, we respectfully urge that any per-passenger fee be set at a reasonable level and that the potential impacts on local businesses and visitor spending be carefully evaluated when establishing the rate structure.

The Maui Chamber of Commerce appreciates the Legislature's efforts to create a fair and sustainable funding approach and looks forward to continued discussion to ensure policies support both infrastructure needs and Maui's economic recovery.

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.



## Care for 'Āina Now Coalition

April 8, 2026

Hawai'i State Legislature  
House Committee on Finance

Re: Testimony in **opposition to** SB 2698, SD2, HD1, Relating to Transportation

Aloha Chair Todd, Vice Chair Takenouchi, and esteemed members of the committee,

On behalf of the Care for 'Āina Now Coalition Leadership Committee, we respectfully oppose Senate Bill 2698, SD2, HD1, relating to transportation. This measure establishes a per-passenger cruise ship fee, creates a special fund, and repeals the Transient Accommodations Tax on cruise ships.

The Coalition's primary purpose is to advocate for closing the significant gap in resources dedicated to natural resource protection and restoration—estimated at \$500 million prior to enactment of the landmark Green Fee legislation last year. We are increasingly concerned that this bill represents a major setback to making meaningful progress toward closing that gap. Hawai'i must use every available resource to mitigate and prevent the impacts of disasters such as the recent Kona Low storm systems. Our coalition has long supported Hawai'i's broader Green Fee framework to ensure that all visitors meaningfully contribute to the stewardship of our natural and cultural resources. A comprehensive and consistent approach across the tourism sector is essential to protect the ecosystems, infrastructure, and communities that make Hawai'i unique.

Research recently completed by Fairbank, Maslin, Maullin, Metz & Associates (FM3) which entailed a survey of past and prospective cruise ship passengers to measure their comfort with an Environmental Stewardship Fee for visitors to Hawai'i, shows broad support for an Environmental Stewardship Fee, with cruise ship passengers willing to pay the same or even more than hotel guests. Visitors value using the revenue to protect and restore land, water, wildlife and cultural resources. Key findings include:

- More than three-quarters support Hawai'i's Environmental Stewardship Fee.
- Cruise ship passengers believe that they should pay the same or even a higher rate than hotel guests when docked in Hawai'i.
- Most visitors say such a fee would not impact their likelihood of visiting Hawai'i.
- Visitors' top priorities for funding include water, wildlife, and forests – while they less-urgently value visitor-focused amenities.

Page Two

Removing cruise ship contributions from the Green Fee funding sources threatens the state's ability to implement dramatically needed land management policies, mitigate potential disaster impacts, and better equip our residents for wildfires, floods, and other climate impacts. We respectfully recommend ensuring cruise visitors contribute on equal footing with other travelers and that revenues align with established Green Fee priorities.

We also encourage clarity on how funds will be used, including transparency, accountability, and reinvestment in impacted communities and natural resources. A consistent approach will help maintain public trust and advance Hawai'i's long-term sustainability goals.

Mahalo for the opportunity to provide comments on this measure.

Care for 'Āina Now Coalition Leadership Committee

**TO** Interested Parties

**FROM** Miranda Everitt  
FM3 Research

**RE:** Cruise Ship Passengers' and Potential Cruise Ship Passengers' Views of a Hawai'i Environmental Stewardship Fee

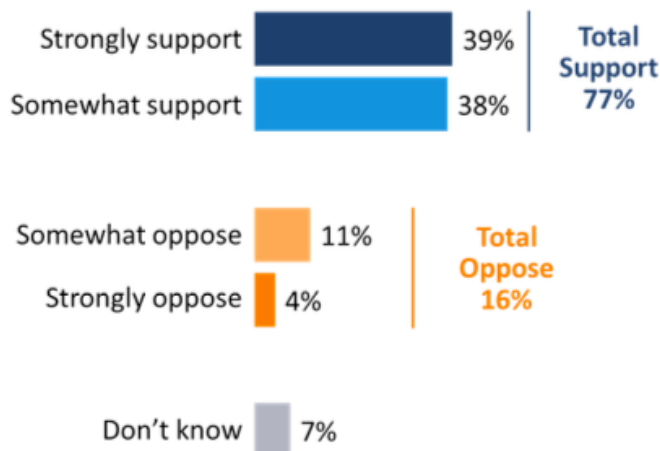
**DATE** March 19, 2026

Fairbank, Maslin, Maullin, Metz & Associates (FM3) recently completed a survey of past and prospective cruise ship passengers to measure their comfort with an Environmental Stewardship Fee for visitors to Hawai'i.<sup>1</sup> **The study shows broad support for an Environmental Stewardship Fee, with cruise ship passengers willing to pay the same or even more than hotel guests.** Visitors value using the revenue to protect and restore land, water, wildlife and cultural resources. Key findings include:

- **More than three-quarters support Hawai'i's Environmental Stewardship Fee.** As shown in Figure 1 below, 77% support such a fee, while one in six oppose it.

**Figure 1: Views of an Environmental Stewardship Fee**

*Last year, Hawai'i established an Environmental Stewardship or Green Fee for visitors to Hawai'i for each night they stay at a hotel or other overnight accommodation in the state. Money raised is being used to protect and restore land, water and wildlife, and cultural resources, invest in preparation for extreme weather and wildfire risk, and sustainable tourism. Do you support or oppose this Environmental Stewardship Fee?*

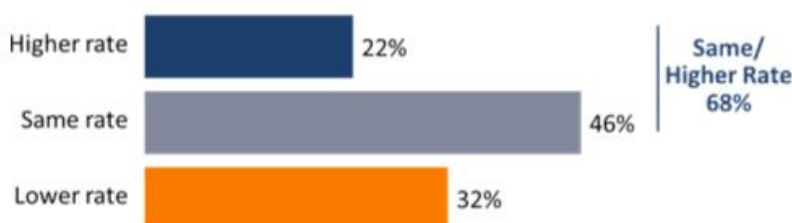


Support cuts across major demographic groups, including:

- 75% who have cruised and 76% who plan to in the next five years;
  - 82% of those who have cruised to Hawai'i or plan to; and
  - Two-thirds or more across age, gender, race and ethnicity, household income, education level, and political ideology.
- **Cruise ship passengers believe that they should pay the same or even a higher rate than hotel guests when docked in Hawai'i.** Figure 2 below shows that, taken together, 68% of cruise ship passengers believe the Environmental Stewardship Fee they pay should be higher or the same rate than what hotel guests pay.

**Figure 2: Fee For Cruise Ship Passengers vs. Hotel Guests**

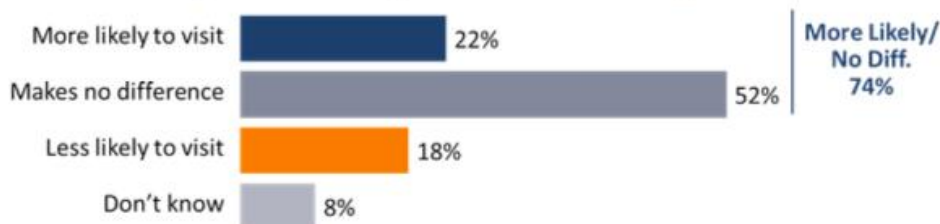
*While they are docked in Hawai'i, should cruise ship passengers pay an Environmental Stewardship Fee at a higher rate, a lower rate, or the same rate as hotel guests?*



- **Most visitors say such a fee would not impact their likelihood of visiting Hawai'i.** A total of 74% of visitors say a fee would make no difference or make them more likely to visit. Nearly one-quarter, in fact, say it would make them *more likely* to visit – a greater share than say it would make them *less likely* to do so.

**Figure 3: Impact of Fee on Likelihood to Visit**

*Would an Environmental Stewardship Fee make you more likely to visit Hawai'i, less likely to visit Hawai'i, or would it make no difference?*



- **Majorities (57%) are willing to pay a fee of \$75,** and 73% said they would be willing to pay \$50.
- **Visitors' top priorities for funding include water, wildlife, and forests – while they less-urgently value visitor-focused amenities.** Figure 4 below shows that visitors value water quality, wildlife habitat, protection of beaches and coral reefs, as well as fire prevention, as their top priorities for the fee they would pay. Majorities

also value visitor-focused investments like maintaining cruise ship docks and harbors, and adding bathrooms and parking, though less broadly.

**Figure 4: Uses of Environmental Stewardship Fee Funding**  
*% Extremely or Very Important*

Use of Funding	Importance
Ensuring clean, natural drinking water	83%
Protecting fish and wildlife habitat	79%
Monitoring water quality	79%
Protecting and restoring native forests	79%
Protecting and preserving beaches	77%
Protecting communities and preventing wildfire by removing and controlling invasive species	77%
Protecting Native Hawaiian cultural resources and reviving traditional agriculture and aquaculture	77%
Protecting and restoring coral reefs	75%
Restoring lands around water supplies	74%
Providing visitor education to reduce damage to natural and cultural resources	67%
Maintaining cruise ship docks and harbors	61%
Restoring and maintaining hiking trails	61%
Repairing and adding park and beach bathrooms	47%

In sum, **Hawai’<sup>i</sup>’s visitors via cruise ship are willing to pay an Environmental Stewardship Fee of up to \$75 to help protect and restore the land, water, and wildlife that help draw them to visit.** Most are willing to pay the same rate as hotel guests (or even more).

<sup>i</sup> **Methodology:** From March 9-12, 2026, FM3 completed 600 demographically representative opt-in online panel interviews with residents of the United States who have been a cruise ship passenger in the last five years or plan to in the next five years. The margin of sampling error for the study would be +/-4.0% at the 95% confidence level, applying assumptions of a probability sample. Due to rounding, not all totals will sum to 100%.



April 8, 2026

**HOUSE COMMITTEE ON FINANCE**

Rep. Chris Todd, Chair; Rep. Jenna Takenouchi, Vice Chair; and Committee Members  
Public Hearing, April 8, 2026, 2:00 p.m. – Conference Room 308, State Capitol

**Testimony of William F. Anonsen, Managing Partner/Principal of The Maritime Group  
In Support of S.B. 2698, SD2 HD1, Relating to Cruise Ship Special Fund**

My name is William F. Anonsen, Managing Partner and Principal of The Maritime Group. We respectfully submit testimony in strong support of S.B. 2698, SD2, HD1, and appreciate the Committee’s continued thoughtful consideration of this measure and the refinements in the latest version of the bill. This bill establishes a practical and transparent framework for addressing the impacts of cruise ship activity on Hawai’i’s commercial harbor system.

By authorizing the Department of Transportation to assess a per-passenger head fee on cruise ships calling at Hawai’i’s commercial harbors and by creating a dedicated Cruise Ship Special Fund for harbor-related capital improvements. The Committee appropriately recognizes that cruise operations place measurable demands on port infrastructure and that a stable, predictable funding mechanism is necessary to support ongoing maintenance and modernization.

Importantly, replacing the Transient Accommodations Tax on cruise fares with a per-passenger fee is a sound policy improvement. As previously noted, the TAT framework proved difficult to administer due to the bundled nature of cruise products. The revised approach offers a more workable, equitable, and administratively efficient alternative while maintaining the principle that cruise visitors should contribute to the infrastructure they utilize. The establishment of the Cruise Ship Special Fund further strengthens this measure by ensuring that revenues are reinvested directly into harbor facilities and capital improvement projects that support cruise operations. This “user pays, user benefits” model appropriately aligns fee collection with infrastructure investment and provides transparency and accountability.

From a broader maritime and economic perspective, this measure supports Hawai’i’s critical harbor system, which underpins both our visitor industry and the movement of essential goods. Targeted investments in berths, terminals, safety systems, and environmental initiatives such as shore power will enhance operational efficiency, resilience, and sustainability across the system. The bill reflects a balanced and thoughtful policy approach. It also helps to address prior implementation challenges, establishes a fair and predictable funding mechanism, and ensures that revenues are directed toward the continued improvement of Hawai’i’s harbor infrastructure.

For these reasons, we respectfully urge the Committee on Finance to pass this measure.

Respectfully submitted,

*William F. Anonsen*

William F. Anonsen  
Managing Partner/Principal  
THE MARITIME GROUP

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***1000 Auahi Street, Suite 1509 Honolulu, Hawai’i, 96814  
Tel: (808) 232-1831 www.The-Maritime-Group.com***

**McCabe, Hamilton & Renny Co., Ltd.**  
“THE STEVEDORES”

**Testimony for SB 2698 SD2 HD1, Relating to Transportation**

Hearing Scheduled for April 8, 2026

Committee on Finance

McCabe Hamilton & Renny Co., Ltd. **supports** SB 2698 SD2 HD1, relating to transportation.

Aloha Chair Todd, Vice Chair Takenouchi and Committee Members,

I write in strong support of Senate Bill 2698 SD2 HD1 on behalf of McCabe, Hamilton & Renny Co., Ltd. For 125 years, McCabe has served Hawai'i's harbors. With more than 400 employees, we remain a cornerstone of the State's port operations.

Cruise calls require a broad range of stevedoring services — including mooring and gangway operations, vessel provisioning, and passenger logistics — performed largely by skilled ILWU laborers who are local residents. These workers rely on cruise activity to support their families and play a vital role in cargo operations throughout Hawai'i. The economic activity generated by cruise vessels sustains not only McCabe, but also the broader island workforce. In addition, the benefits extend to a wide range of stakeholders, including airports, hotels, local suppliers, stevedoring companies, security personnel, tugboat operators, ground handlers, and tour operators.

The proposed fee would be incorporated alongside existing passenger fees, dockage, port entry, and wharfage, all of which would remain unchanged. A per-passenger fee more appropriately distinguishes cruise room revenue from hotel revenue and directly connects visitors to funding for environmental and harbor improvement projects.

We respectfully urge the Committee to advance SB 2698 SD2 HD1 to help ensure a sustainable and thriving future for Hawai'i's maritime industry and the communities it supports.

Sincerely,



Matt Guard

President, McCabe Hamilton & Renny Co., Ltd.

Testimony of Matson Navigation Company, Inc.  
Support of SB2698, SD2, HD1  
Before the Committee on Finance  
April 8, 2026

Dear Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

Matson Navigation Company, Inc. supports SB2698, SD2, HD1 which establishes a passenger fee on cruise ships docking in the State's commercial harbors and requires that fees collected be used solely for port facility and harbor capital improvement projects.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses. This measure will provide additional revenues for much-needed harbor improvements.

Thank you for considering our testimony in support.

## **SB2698 SD2 HD1, Committee on Finance Testimony**

### **TESTIMONY IN SUPPORT OF SB2698 SD2 HD1 RELATING TO TRANSPORTATION**

Aloha Chair Todd, Vice Chair Takenouchi, and Committee Members,

My name is Curtis Chee, and I submit this testimony in support of SB2698 SD2 HD1 on behalf of MC&A, Inc., a Hawai'i-based destination management company supporting cruise operations statewide.

We strongly support SB2698 SD2 HD1. This bill supports a workable path for cruise-related fees while protecting local jobs and strengthening harbor and sustainability priorities.

#### **1) Jobs, local business impact, and Hawai'i's reliance on cruise**

At MC&A, Inc., cruise operations support nearly 300 team members, including our dedicated Cruise Services team as well as our part-time staff who manage ship turnarounds in Honolulu.

Across the neighbor islands, we collaborate with hundreds of tour operators and activity providers to deliver exceptional shore excursions for cruise guests. These partners, in turn, employ their own local teams and engage transportation, catering, entertainment, and a wide range of other Hawai'i-based businesses, creating a broad network of economic impact throughout the state.

Cruise business provides a dependable revenue stream that can be forecast more than two years in advance, supporting long-term staffing, training, and operational planning statewide. This predictability is especially valuable during shoulder seasons, helping maintain consistent employment and supporting Hawai'i jobs throughout the year.

#### **2) Dedicated funding for harbors and sustainability**

SB2698 SD2 HD1 establishes a per-passenger fee framework and a dedicated fund intended to support harbor improvements and sustainability needs. Ports require sustained investment, and a dedicated mechanism supports better long-term planning.

#### **3) Greater legal certainty and reduced disruption**

The cruise-related language added to the final TAT "Green Bill" has raised constitutional concerns under the Tonnage Clause, creating uncertainty for the State and for businesses that rely on predictable cruise planning cycles. A clearer structure, including repeal of the challenged language and a more defensible framework, reduces risk and disruption.

Mahalo for the opportunity to provide testimony. We respectfully request that you advance SB2698 SD2 HD1.

Respectfully submitted,



**CURTIS CHEE**

**Director, Cruise Services**

**mobile (808) 479-5582 | direct (808) 589-5585 | office  
(808) 589-5500**

**[curtis.chee@mcadmc.com](mailto:curtis.chee@mcadmc.com)**

**2155 Kalakaua Avenue, Suite 810, Honolulu, HI 96815**

**SB-2698-HD-1**

Submitted on: 4/7/2026 4:05:54 AM

Testimony for FIN on 4/8/2026 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Aaron Paulk	Hawaii Tour Consultants	Support	Written Testimony Only

Comments:

Bill References: SB2698 SD2 HD1

To: Committee on Finance

Aloha Chair Todd, Vice Chair Takenouchi and Committee Members

My name is Aaron Paulk, and I am a proud small business owner who has operated across all the Hawaiian Islands for over ten years. Our company supports hundreds of local jobs that are solely dependent on a consistent and sustainable cruise industry presence.

Over the past decade, we've built our business on the foundation of Hawaii's circular economy—intentionally keeping our operations, partnerships, and reinvestments within our islands. The cruise lines have been instrumental in this success, as they have made strong efforts to work directly with small, local businesses like ours. Together, we've been able to bring economic opportunities to communities not typically visited by the cruise industry, helping to spread the benefits of tourism more evenly throughout the state.

In recent years, we've also seen a positive shift as cruise partners have begun supporting initiatives by local partners who support local nonprofits and community organizations—especially those focused on sustainability initiatives and supporting individuals with disabilities. These partnerships are making a real difference and show that the cruise industry is committed to being a responsible and valued member of our community.

I believe that SB2698 and HB2195 represent fair, balanced, and forward-thinking measures that will ensure our continued ability to grow together. These bills allow for legal, transparent contributions—through a reasonable head tax—that will fund state and HDOT initiatives while sustaining Hawaii's unique environment and way of life.

Our small businesses, the cruise lines, and the State of Hawaii are all striving toward the same vision: a safe, sustainable, and thriving future for our islands, our people, and our keiki. These bills are a great step forward in showing how we can truly *hui together*—how collaboration between industry, community, and government can create long-term prosperity for all.

Mahalo for your time and consideration, and for your continued support of Hawaii's small business community and the sustainable future of our islands.

Sincerely,  
Aaron Paulk  
Hawaii Tour Consultants

[aaron@hawaiiitc.com](mailto:aaron@hawaiiitc.com)  
214 Kahoma Village Loop, Lahaina, Hawaii 96761

Aloha Chair Todd, Vice Chair Takenouchi and Committee Members:

Thank you for the opportunity to testify in **strong support** of SB 2698 SD2, HD1.

For nearly twenty years, Kilohana has been fortunate to welcome cruise guests through shore excursions, and the benefits of cruise visitation extend far beyond our gates. Eleven on-site shops, many featuring Kaua'i, and Hawai'i-made products depend on this revenue stream, as do our agricultural partners. The Kauai Plantation Railway, The Plantation House Restaurant by Gaylord's, Luau Kalamaku, and Kauai Rum Safaris also rely heavily on cruise visitors to sustain year-round operations.

Kilohana believes this measure strikes a fair and reasonable balance among stakeholders. The cruise ship industry plays a vital role in Hawai'i's economy, and any additional fee must be evaluated in the context of the significant fees the industry already pays, including passenger, dockage, port entry, and wharfage fees, to ensure overall reasonableness.

We need to ensure the fee is not unduly burdensome and will help ensure that the cruise industry can continue to operate and invest in Hawai'i.

It is important to note that one cruise line alone hosts a private luau at Kilohana 52 weeks a year, averaging between 650 and 725 attendees weekly. This represents approximately \$6 million in annual gross revenue, much of which flows directly into our local community. This activity supports more than 100 employees, including musicians, dancers, food and beverage staff, bus drivers, dispatchers, and numerous local suppliers—from farms to beverage distributors. In total, more than 300 Kilohana employees and tenants directly benefit from cruise-related activity.

Luau Kalamaku alone generates an estimated \$18 million annually, including approximately \$859,000 in General Excise Tax revenue, more than \$1 million paid to local food vendors, and over \$700,000 to liquor and beverage purveyors.

Additional cruise ships visiting Kaua'i generate hundreds of thousands of dollars more in shore excursion revenue. Without cruise visitation, we could not sustain the three luaus per week that allow our employees and entertainers to work year-round.

Thank you for the opportunity to testify in strong support of SB 2698 SD2, HD1.

Sincerely,  
Fred Atkins  
Managing Partner  
Kilohana Plantation  
Mobile: 1-808-652-0757  
Email: [fred@kilohanakauai.com](mailto:fred@kilohanakauai.com)



Testimony in **SUPPORT** for SB 2698 SD2 HD1, Relating to Transportation

House Committee on Finance  
April 8, 2026

Aloha Chair Todd, Vice Chair Takenouchi, and members of the committee,

The Hawaii Harbors Users Group is writing in **support** of SB 2698 SD2 HD1, relating to transportation. This bill requires the Department of Transportation to impose a per-passenger head fee on cruise ships docking at Hawai'i's commercial harbors, creates a dedicated Cruise Ship Special Fund, and repeals the Transient Accommodations Tax on cruise ships.

Our membership includes a broad range of maritime stakeholders, including cruise ship operators and companies that work directly in harbor operations, giving us a unique and informed perspective on the practical needs of the industry and the State.

Cruise vessels depend heavily on harbor services such as berthing, security, pilotage, tug assistance, longshore labor, and terminal facilities. These services require continuous investment to maintain safe, efficient, and reliable operations alongside cargo and interisland shipping. A per-passenger head fee is a transparent and predictable mechanism that directly links harbor use to harbor support.

Equally important, the repeal of the Transient Accommodations Tax on cruise ships is a positive and necessary policy clarification. Removing the TAT recognizes that cruise travel is fundamentally different from land-based accommodations and avoids duplicative taxation on the same visitor activity, while still ensuring that cruise passengers contribute meaningfully through a fee tied directly to the use of state harbor facilities. HHUG strongly supports this change as a fairer approach that aligns taxation with actual impacts on infrastructure.

The creation of the Cruise Ship Special Fund further strengthens this measure by dedicating revenues to harbor-related capital improvements and operational needs. Directing these funds to port facilities and infrastructure will benefit all harbor users, improve efficiency, and enhance safety throughout Hawai'i's commercial harbor system. From the perspective of our members—including cruise operators themselves—stable, modern, and well-maintained harbor facilities are essential to sustaining maritime

commerce and Hawai'i's visitor economy. SB 2698 SD2 HD1 advances that goal while providing regulatory certainty and fairness for the cruise industry.

For these reasons, the Hawaii Harbors Users Group urges your support of SB 2698 SD2 HD1 and respectfully asks for its passage.

Mahalo for the opportunity to provide testimony on this important measure.



NORWEGIAN CRUISE LINE  
HOLDINGS LTD.

## Testimony for SB 2698 SD2 HD1, Relating to Transportation

Hearing Scheduled for April 8 2026  
Committee on Finance

Aloha Chair Todd, Vice Chair Takenouchi, and Committee Members,

Norwegian Cruise Line Holding Ltd strongly **supports** SB 2698 SD2, HD1 relating to transportation.

As the only cruise company operating a U.S. flagged, year-round cruise ship in Hawaii – the Pride of America – Norwegian Cruise Line has been a committed partner to the state since the early 2000s. This home-ported ship consistently generates substantial positive economic impact, benefiting not only visitors but the broader maritime industry. These benefits reach a wide array of stakeholders, including airports, hotels, local provisions, stevedoring, security personnel, tugboat operators, ground-handlers, and tour operators. In addition, its operations generate significant tax revenue for the State. Beyond the year-round ship, several foreign-flag vessels from the Norwegian, Regent Seven Seas and Oceania brands visit the Hawaiian islands seasonally, collectively contributing to the vibrancy and sustainability of the visitor industry. In 2024 alone, the cruise industry generated approximately \$1 Billion in induced economic benefits.

This bill seeks to revise and replace the transient accommodation tax language for cruise ships that was enacted during the 2025 legislative season. The late-stage amendments, which became Act 96, are currently being challenged as a violation of the Tonnage Clause of the United States Constitution. The Tonnage Clause prohibits States from imposing any tax or fees that acts as a charge for the privilege of entering in, staying in, or conducting trade in a port without congressional consent.

SB 2698 SD2, HD1 aims to address this constitutional issue by replacing the challenged tax with a per passenger fee, the proceeds of which will be deposited into a cruise ship special fund. Importantly, these collections will be exclusively allocated for harbor and port facility capital improvements, thereby aligning the fee with requirements of the Tonnage Clause. The proposed fee will be incorporated into Section 2, Chapter 266 of the Hawaii Revised Statutes, alongside existing passenger fees, dockage, port entry and wharfage which will remain unchanged.

Norwegian Cruise Line Holdings Ltd. is dedicated to being responsible stewards of the destinations we visit. Transitioning to a per-passenger fee that is directly reinvested into improving Hawaii's harbors and maritime infrastructure will serve to strengthen Hawaii's critical harbor systems benefiting all maritime users as well as local residents. We believe that the proposed fee is fair and reasonable when viewed in the context of the range of taxes and fees already paid by cruise passengers.

For these reasons, we respectfully urge the committee to advance SB 2698 SD2, HD1 to ensure a sustainable, thriving future for Hawaii's maritime industry and the communities it supports.



April 7, 2026

TO: Honorable Todd Chris, Chair  
Honorable Jenna Takenouchi, Vice Chair  
House Committee on Finance

FROM: Legislative Advocacy Committee  
American Institute of Architects, Hawai'i State Council

Hawaii State Council  
A Chapter of the  
American Institute of Architects

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1.1.19 ver.

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

The AIA Hawai'i State Council represents architects and design professionals across the State who are committed to advancing public safety, resilient communities, and responsible building practices.

AIA Hawai'i provides our **SUPPORT on SB2645 SD3 HD1**, which continues the implementation and refinement of the State's fire prevention and safety framework following recent statewide discussions about wildfire risk and emergency preparedness. This measure makes important administrative and staffing adjustments within the Office of the State Fire Marshal to strengthen statewide fire prevention capacity and coordination.

Our members work closely with building officials, fire departments, and regulatory agencies to ensure that buildings are designed and constructed to protect life safety and property. Strengthening the State's fire prevention infrastructure is essential to protecting communities, safeguarding critical infrastructure, and ensuring that building and fire codes are consistently interpreted and enforced across the islands.

However, AIA Hawai'i respectfully offers **one area requesting clarification** regarding the **proposed change to the selection process for the State Fire Marshal**.

While we support the broader intent of improving oversight and coordination, AIA Hawai'i believes the current **commission-based selection process** provides an important layer of professional and technical review in identifying qualified candidates for this highly specialized position.

AIA Hawai'i recommends that any selection process **include participation from the State Building Code Council**, whose members bring expertise in building safety, code development, and implementation. Involving the Council would help ensure alignment between statewide building and fire safety policies and the leadership of the State Fire Marshal's office.

The State Fire Marshal plays a critical role in overseeing fire prevention programs, interpreting fire codes, and coordinating with building and safety professionals statewide. Because the position requires significant technical expertise and cross-agency collaboration, AIA Hawai'i believes a **selection process grounded in professional review and subject matter expertise best serves the public interest**.

Mahalo for the opportunity to **provide SUPPORT** on this measure and for your continued efforts to strengthen fire safety and resilience across Hawai'i.

Mahalo,

Melanie Islam, AIA

AIA Hawaii President

## TESTIMONY IN SUPPORT OF SB2698 – SD2, HD1

To: House Committee on Finance

### Aloha Chair Todd, Vice Chair Takenouchi and Committee Members

My name is **Terry Fischer**, and I am the President and CEO of **Polynesian Adventure Tours**. I am writing today in support of **SB2698**, representing our **340 employees** who live and work across **O'ahu, Maui, Kaua'i, and Hawai'i Island**.

The cruise industry plays a vital role in sustaining Hawai'i's visitor economy, and the transportation network that supports cruise passengers is powered by **local bus and group travel companies**. At Polynesian Adventure Tours—and across Hawai'i's motorcoach sector—we move thousands of visitors every day to attractions, hotels, and **locally owned businesses**, putting real dollars into local communities while **reducing congestion on our roads**.

For many small and independently owned restaurants, attractions, and activity providers, **cruise-related visitation is essential to their survival**. Cruise passengers provide consistent and predictable demand that helps these businesses operate year-round, retain local employees, and cover the fixed costs of doing business in a tourism-dependent economy. Importantly, this spending largely **stays within the community**, supporting the cultural, recreational, and experiential offerings that make Hawai'i unique for both residents and visitors.

Buses are also the **most sustainable form of mass transportation available today**. According to research from the **ABA Foundation**, buses produce fewer carbon emissions per passenger mile than airplanes, trains, taxis, or passenger vans—making group transportation one of the most effective ways to move visitors while protecting Hawai'i's natural environment.

The economic contribution tied to this activity is significant. **Bus and group travel in Hawai'i generates more than \$1.25 billion in economic output**, supports over **6,400 local jobs**, produces **\$353 million in wages**, and contributes nearly **\$200 million in state and local taxes**—revenue that directly supports local families, public services, and small businesses across the islands.

**SB2698** creates a **balanced path forward** by aligning cruise visitation with a funding structure that supports infrastructure, environmental stewardship, and the long-term sustainability of Hawai'i's tourism economy. Measures that strengthen the overall visitor ecosystem also strengthen the **local transportation providers, small businesses, and workers** who depend on it.

Polynesian Adventure Tours respectfully supports **SB2698** because it helps ensure that tourism continues to generate jobs, invest in communities, and move visitors in the **most efficient and environmentally responsible way possible**.

Thank you for the opportunity to testify.

  
\_\_\_\_\_  
Terry Fischer  
President – Polynesian Adventure Tours

2965 N Nimitz Hwy  
Honolulu, HI  
96819

**Testimony of The Nature Conservancy  
Opposing SB2698 SD2 HD1, Relating to Transportation  
Committee on Finance  
April 8, 2026 at 2:00 pm  
Conference Room 308 and via Videoconference**

Dear Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

Mahalo for the opportunity to testify today. The Nature Conservancy (TNC) Hawai'i and Palmyra respectfully opposes SB2698 SD2 HD1, which requires the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors in addition to existing port user fees, establishes the Cruise Ship Special Fund, and repeals existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to 1/1/2026.

In 2025, the Legislature enacted Act 96 and established a comprehensive framework for applying the Transient Accommodations Tax to cruise fares and directing those revenues toward climate resilience, natural resource protection, and tourism destination management. This bill would remove cruise fares from that framework and replace it with a passenger head fee whose revenues are limited exclusively to port facility and capital improvements.

Recent polling, commissioned by TNC and its partners, found broad support of past and prospective cruise ship passengers (77%) for an environmental fee. The poll demonstrated strong agreement that cruise ship passengers should pay the same rate as hotel guests while docked in Hawai'i. Importantly, respondents consistently ranked clean drinking water, wildlife habitat, native forests, coral reefs, wildfire prevention, and cultural resource protection as far higher priorities for use of fee revenues than maintaining cruise ship docks and harbors.

Removing the cruise ship contributions to the green fee's funding sources presents a major step back in meeting our state's needs for natural resources stewardship, climate resiliency and sustainable tourism. These investments are ecological and economic in equal measure. Declining reefs weaken fisheries, degraded forests increase the cost of securing water, and worsening wildfires drive up the extraordinary costs of emergency response and recovery. We respectfully recommend ensuring that the cruise industry continue to contribute on equal footing to other sectors of the visitor industry and that those revenues continue to align with established green fee priorities.

Mahalo for the opportunity to testify in opposition of SB2698 SD2 HD1.

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*Guided by science, TNC is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawai'i and Palmyra Atoll. We manage 84,000 acres in 13 nature preserves and 18 managed areas and have supported over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands.*

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## TESTIMONY from Kupu on SB2696 SD2 HD1: Relating to Transportation

Aloha Chair Todd, Vice Chair Takenouchi, and esteemed members of the Committee,

My name is Keone Nakoa, and I am the Vice President of External Affairs at Kupu. Mahalo for the opportunity to provide testimony on behalf of Kupu. We respectfully **oppose SB2698 SD2 HD1**. This measure establishes a per-passenger cruise ship fee, creates a special fund, and repeals the Transient Accommodations Tax (TAT) on cruise ships.

As an organization that helps people transform their love for the environment into a professional career, we applaud the state legislature's bold actions in bills like Act 96 last year, which stand as a testament to the strong leadership role our islands can fill around the world. In contrast, SB2698 would undermine this bold action to close this critical funding gap by eliminating a significant source of revenue to fund Green Fee projects each year—\$26 million in fiscal year 2027 alone estimates the state Department of Taxation.

We acknowledge the concern over negative impacts on those who depend on cruise ship passengers to support their families. Fortunately, we call the Committee's attention to a [recently released survey](#) from the Care for 'Āina Now (CAN) coalition of past and prospective cruise ship passengers to measure their comfort with an Environmental Stewardship Fee (the Green Fee) for visitors to Hawai'i. Key findings include:

- 77% support the Green Fee, and 39% strongly support;
- 68% want cruise passengers to pay the same or a higher rate hotel guests;
- Most say the fee makes no difference in whether they would visit Hawai'i; and
- Visitors' top priorities for funding include water, wildlife, and forests.

Removing cruise ship contributions from the Green Fee would harm and delay the State's ability to mitigate potential disaster impacts, bolster sustainable tourism practices, and better equip our residents for wildfires, floods, and other climate impacts. These funds are timely, as we have seen the damage of climate change recently with the impacts of the second Kona Low to hit our state. Act 96 funds support the mitigation and recovery of such events, and a comprehensive and consistent approach promotes fairness across the tourism sector. We respectfully recommend retaining current law that ensures cruise visitors contribute on equal footing with other travelers and that revenues align with established Green Fee priorities.

Mahalo for the opportunity to provide comments on this measure.

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, MISCELLANEOUS; Change TAT Extension to Cruise Ships to a Passenger Head Fee

BILL NUMBER: SB 2698 HD 1

INTRODUCED BY: TRN

EXECUTIVE SUMMARY: Requires the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors in addition to existing port user fees. Establishes the Cruise Ship Special Fund. Repeals existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to 1/1/2026. Appropriates funds. Effective 7/1/3000. (HD1)

SYNOPSIS: Adds two new sections to chapter 266, HRS.

The first would establish a passenger head fee of \$10 per passenger to be collected from any cruise ship that docks in any commercial harbor in the State.

The second would establish a special fund into which the fee would be deposited. Moneys in the cruise ship special fund shall be used solely for port facility and capital improvement projects to support cruise ship operations.

Amends sections 37-79, 237D-1, and 237D-2, HRS, to repeal the 2025 amendments extending the transient accommodations tax to cruise ships.

EFFECTIVE DATE: July 1, 2050; the tax sections in the bill are retroactive to January 1, 2026.

STAFF COMMENTS: We note that the cruise ship industry has filed suit in federal court against the State seeking to enjoin enforcement of the transient accommodation tax extension to cruise ships enacted in the 2025 legislative session as a violation of the Tonnage Clause in the U.S. Constitution and the Rivers and Harbors Act, 33 U.S.C. § 5.

The U.S. Supreme Court has read the language of the Tonnage Clause “as forbidding a State to ‘do that indirectly which she is forbidden . . . to do directly.’ *Passenger Cases*, 7 How. 283, 458 (1849). Thus, the Court has said that the Clause, which literally forbids a State to ‘levy a duty or tax . . . graduated on the tonnage,’ must also forbid a State to ‘effect the same purpose by merely changing the ratio, and graduating it on the number of masts, or of mariners, the size and power of the steam-engine, **or the number of passengers which she carries.**’ *Id.*, at 458–459.” *Polar Tankers, Inc. v. City of Valdez*, 557 U.S. 1, 8 (2009) (bold type added). The standard under the Rivers and Harbors Act is similar. *See Lil’ Man in the Boat, Inc. v. City and County of San*

*Francisco*, 5 F.4th 952, 957 (9th Cir. 2021) (“As several courts have observed, the 2002 amendment codified Commerce Clause and Tonnage Clause common law.”).

We understand that the Harbors Division of DOT now imposes port entry, dockage, and passenger user fees under chapter 266, HRS, and the administrative rules thereunder. Apparently, those fees have never been challenged. Our guess is that the current fees are viewed as legal because they are considered user fees and not taxes. Proposed section 266-B(b) requires that moneys collected by the per-head charge be used solely for port facility and harbor capital improvement projects to support cruise ship operations. This, if true, would support characterization as a user fee. Care must be taken to ensure that the fund is restricted in use and does not get deployed to fund statewide green projects like the rest of the “green fee” authorized in 2025; if it does, or if the fees assessed are not reasonably proportionate to the benefits received, this fee may be characterized as a tax, *see Hawaii Insurers Council v. Lingle*, 120 Haw. 51, 201 P.3d 564 (2008); *State v. Medeiros*, 89 Haw. 361, 973 P.2d 736 (1999), and, as such, may be vulnerable to challenge.

We note that the Harbor Special Fund is subject to a central services assessment of 5% annually under section 36-29, HRS. A new special fund will also be subject to a central services assessment of 5% under section 36-27(a), HRS, unless expressly exempted (this bill does not contain an exemption). It is unclear whether this assessment would violate the requirement in proposed section 266-B(b) described above, and whether, if the central services assessment continues, it would constitute a non-harbor use of the money that would cause the per-passenger fee here to be a tax that would then be vulnerable to Tonnage Clause challenge.

Digested: 4/7/2026