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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES

Hawai'i Tourism Authority
before the
COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

AND

COMMITTEE ON GOVERNMENT OPERATIONS

March 23, 2022
3:05 p.m.
State Capitol
via videoconference

In consideration of
HOUSE BILL NO. 1785 HD1
RELATING TO TOURISM GOVERNANCE

Aloha Chair Wakai, Chair Moriwaki, Vice Chair Misalucha, Vice Chair Dela Cruz, and members of the Committee on Energy, Economic Development, and Tourism and the Committee on Government Operations.

The Hawai'i Tourism Authority appreciates the opportunity to testify in **support** of HB1785 HD1, requiring the Legislative Reference Bureau to conduct a study that identifies and analyzes alternative tourism governance systems.

We support the intent of this measure to study tourism governance systems in locations reasonably similar to Hawai'i, to learn from the successes and lessons learned in other communities and apply that learning to our collective efforts to Mālama Ku'u Home (care for our beloved home). The Hawai'i Tourism Authority also stands ready to assist the Legislative Reference Bureau and its consultant(s) as needed in the course of this study.

We appreciate this opportunity to **support** HB1785 HD1. Mahalo.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM AND GOVERNMENT OPERATIONS
ON
HOUSE BILL NO. 1785, H.D. 1

March 23, 2022
3:05 p.m.
Room 224 and Videoconference

RELATING TO TOURISM GOVERNANCE

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1785, H.D. 1, requires the Legislative Reference Bureau to conduct a study that identifies and analyzes alternative tourism governance systems; requires the study to include a solicitation of input from certain stakeholder groups; requires a final report to be submitted prior to the convening of the 2025 Legislative Session; and makes an unspecified general fund appropriation for FY 23 to conduct the study.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and

- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

Charlotte A. Carter-Yamauchi
Director

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LEGISLATIVE REFERENCE BUREAU
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Written Comments

HB1785 HD1
RELATING TO TOURISM GOVERNANCE

Charlotte A. Carter-Yamauchi, Director
Legislative Reference Bureau

Presented to the Senate Committees on Energy, Economic Development, and Tourism and
Government Operations

Wednesday, March 23, 2022, 3:05 p.m.
Conference Room 224
Via Videoconference

Chairs Wakai and Moriwaki and Members of the Committees:

Good afternoon, Chairs Wakai and Moriwaki and members of the Committees. My name is Charlotte Carter-Yamauchi, and I am the Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on H.B. No. 1785, H.D. 1, Relating to Tourism Governance.

The purpose of this measure is to require the Bureau to conduct a two-year study that identifies and analyzes alternative tourism governance systems.

More specifically, the measure requires the Bureau to conduct a study that identifies and analyzes actual and proposed alternative tourism governance systems used or proposed to be used in locations that are reasonably similar to Hawaii, and appropriates an unspecified sum for this purpose.

The measure further requires the Bureau to publish a draft report, including a proposed summary for public review purposes, no later than October 1, 2024, and to use the summary as a basis for an extensive statewide publicity and stakeholder input program lasting at least two months, including both electronic and in-person public meetings if feasible, as well as surveys of the general community, the business community, and

interviews with key legislators, chief executives, and administrative department heads at both state and county levels of government. The measure then requires the Bureau to submit a final report of potential options for tourism governance systems to the Legislature, for consideration no later than twenty days prior to the convening of the Regular Session of 2025. Finally, the measure allows the Bureau to contract the services of a consultant or consultants to perform all or some of the duties required with the funds appropriated in measure. Any procurement of services pursuant to the measure would be exempt from Chapter 103D, Hawaii Revised Statutes.

The Bureau takes no position on the merits of this measure but submits the following comments for your consideration.

The Bureau believes that, if adequate funding is provided for the contracting of services to perform the study, and the scope of the measure is not amended, then the project should be manageable and the Bureau should be able to provide the services requested under the measure. The foregoing is subject to the caveat that the Bureau's interim workload is not adversely impacted by too many additional responsibilities, such as conducting additional studies, writing or finalizing other reports, drafting legislation, or any combination of these for the Legislature or for other state agencies, task forces, or working groups that may be requested or required by other legislative measures.

Thank you again for the opportunity to submit written comments.



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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEES
ON
ENERGY, ECONOMIC DEVELOPMENT AND TOURISM
AND
COMMITTEE ON GOVERNMENT OPERATIONS

MARCH 23, 2022, 3:05 PM

HOUSE BILL 1785, HD1
RELATING TO TOURISM GOVERNANCE

Chairs Wakai, Chair Moriwaki, Vice Chair Misalucha, Vice Chair Dela Cruz, and members of the committees, thank you for the opportunity to submit testimony on HB1785, HD1. The State Procurement Office (SPO) opposes the exemption language on page 11, SECTION 5, lines 13 -15 set forth below.

“Any procurement of services pursuant to this Act shall be exempt from chapter 103D, Hawaii Revised Statutes.”

The SPO objects to the procurement exemption and testifies that consultant services for this program should be competitively procured OR use the SPO Vendor List 19-19, “NASPO ValuePoint Procurement of Acquisition Support Services (PASS).”

The NASPO ValuePoint Cooperative Purchasing Organization is a multi-state contracting consortium of state governments, of which the State of Hawaii is a member, which seeks to achieve cost-effective and efficient acquisition of goods and services. The State of Hawaii is the current lead agency and contract administrator for the NASPO ValuePoint Procurement of Acquisition Support Services (PASS) contract. The State of Hawaii has fully executed contracts with 12 Contractors, who are named as authorized Contractors in SPO Vendor List Contract No. 19-19. The following 13 categories are included in the contract for acquisition support services:

- Specifications/Scope of Work Review
- Procurement Strategy/Acquisition Strategy Plan
- Independent Government Cost Estimate
- Market Research
- Cost & Pricing Analysis
- Solicitation Review or Preparation

- Source Selection
- Cost Realism Analysis
- Contract Development/Contract Formation
- Contract Management
- Vendor Performance Evaluation Program
- Procurement Policy
- Category Management.

Chapter 103D, Hawaii Revised Statutes, the Hawaii Public Procurement Code (code), is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEES ON
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM and
GOVERNMENT OPERATIONS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 224
WEDNESDAY, MARCH 23, 2022 AT 3:05 P.M.**

To The Honorable Senator Glenn Wakai, Chair
The Honorable Bennette E. Misalucha, Vice Chair
Members of the committee on Energy, Economic Development, and Tourism
To The Honorable Senator Sharon Y. Moriwaki, Chair
The Honorable Senator Donovan M. Dela Cruz, Vice Chair
Members of the committee on Government Operations

COMMENTING ON HB1785 HD1 RELATING TO REGISTRATION OF VEHICLES

The Maui Chamber of Commerce would like to testify in **support of HB1785 HD1**, which requires the Legislative Reference Bureau to conduct a study that identifies and analyzes alternative tourism governance systems.

The Chamber supports the intent of this measure to study tourism governance systems in locations reasonably similar to Hawai'i, to learn from the successes and lessons learned in other communities and apply that learning to our collective efforts to care for our island home.

Mahalo for the opportunity to provide testimony in **support of HB1785 HD1**.

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.

HB-1785-HD-1

Submitted on: 3/19/2022 7:12:36 PM

Testimony for EET on 3/23/2022 3:05:00 PM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

A Big Wast of Time and Money!

HB-1785-HD-1

Submitted on: 3/20/2022 11:39:05 AM

Testimony for EET on 3/23/2022 3:05:00 PM

Submitted By	Organization	Testifier Position	Testify
Colin D Moore	Individual	Support	Written Testimony Only

Comments:

HB 1785 HD 1, Relating to Tourism Governance

Position: STRONG SUPPORT

Aloha Chair Wakai, Chair Moriwaki, and Committee Members:

I am Colin Moore, Director of the Public Policy Center at the University of Hawai‘i at Mānoa. I am testifying today as a private citizen.

I strongly support HB 1785 HD1. It is consistent with recent calls by several university faculty and tourism experts for a study to examine emerging tourism governance systems around the world and to better understand what might work here in Hawai‘i.

We must do all we can to make sure that Hawai‘i tourism maintains the proper balance between generating revenue and contributing to as few social and environmental problems as possible. But the strong resident objections we’ve heard in recent years tells us that such balance has not yet been achieved. The UH Public Policy Center’s 2021 survey showed that about 52% of respondents would prefer limiting the number of visitors, with even stronger support for this policy on Neighbor Islands and among Native Hawaiians. In recent years, the Hawai‘i Tourism Authority’s (HTA) Resident Sentiment Survey registered a dramatic increase in the number of people who believe that tourism brings more problems than benefits.

The HTA and some county agencies are making serious efforts to address these concerns. **In my view, there is no need to choose between taking immediate actions under our current system and studying how we can improve that system. We can and must do both.**

The State now spends tens of millions of dollars each year for a mix of marketing, visitor education, and the key emerging idea of Destination Management. Dedicating a small amount of that money to exploring what’s working elsewhere and what we might do here in Hawai‘i would be a wise investment.

HTA is filled with experienced and dedicated people – we should not lightly consider further changes to that organization without the benefit of careful study.

But HTA has some challenges. First, its enabling legislation, HRS201-B, focuses on promotion and growth, and it doesn't provide much statutory authority to achieve Destination Management goals on its own.

Second, HTA has a public image problem. Many residents hold the HTA responsible for what some are calling "overtourism." Other residents are likely unaware or skeptical about its new direction. Yet the public also believes tourism needs substantial State management and oversight. The 2021 Public Policy Center study found that 60% of respondents believed that the State should "control or regulate" tourism more than other businesses in Hawai'i.

If the Aloha Spirit toward visitors is to be protected, public faith in the legitimacy of our tourism management system must be restored. This study will help us understand how to do that.

HB 1785 HD1 calls for analysis of systems developed or proposed elsewhere. It also asks for the development of three possible systems for consideration by the 2025 Legislature.

I think at least one such system might be a centralized destination management organization like HTA. Perhaps another would be a coordinating council among various State and county agencies. The possibility of a permanent advisory council with expanded input and more diversity than the current HTA Board would likely be a feature of one or more systems.

This study could also position Hawai'i to become a global leader in destination management. To my knowledge, there has been no comprehensive study in the academic literature that evaluates all possible governance options for a major tourism market like Hawai'i.

Finally, HB 1785 HD1 is necessary because of the complex local context for any proposed system of tourism governance.

As you know, Hawai'i must operate within the constraints of the US Constitution, which means that some options will be unavailable to us. We need to keep revenues flowing while better accounting for costs that may be unique to us. Hawai'i also has a particular socio-cultural and political history that must be considered in any destination management plan. Finally, we live in an isolated archipelago where residents and visitors compete for every bit of urban, recreational, coastal, and wilderness *'āina*.

No academic study that focuses on destinations in Europe, Asia, or the mainland United States is going to give us both the global perspective and an understanding of the unique challenges we face here in Hawai'i. The proposed study would.

For these reasons, I urge you to support HB 1785 HD1 and to provide at least \$1,000,000 to fund the study. It will provide us with the data we need to ensure that Hawai'i's tourism industry works for visitors and residents in the decades to come.

Thank you for the opportunity to provide testimony.

LATE

Aloha Chair Wakai, Vice Chair Misalucha, and committee members.

My name is Frank Haas and I am testifying today in strong support of HB 1785/SB 2170 as a private citizen.

Though I am speaking as a private citizen, I have been closely involved with tourism issues over the years, previously serving as Director of Marketing for the Hawai'i Tourism Authority; as a consultant and contributor to three of the HTA strategic plans; as an instructor and administrator at the University of Hawai'i School of Travel Industry Management and Kapi'olani Community College; as a consultant on tourism projects internationally; and as an author of papers and a contributor to publications on sustainable and "smart" tourism.

This bill is an essential complement to the state's recent shift in emphasis from tourism marketing to tourism management. The most recent five-year HTA strategic plan adopted in 2020 clearly calls for this shift and HTA has begun rebalancing its activities and resources to reflect this. The Destination Management Action Plans, or DMAPs, which flowed from the strategic plan, used community input to identify specific issues to be addressed on each island. Apart from HTA, the counties, this legislature, and state agencies have proposed numerous ideas to manage tourism. While all of these activities are well intentioned and often have merit, there is an essential missing piece: to truly address the challenges of tourism and to make it sustainable and regenerative in the long run Hawai'i needs a high level, long term, multi-jurisdictional, multi-agency plan to with the authority coordinate these initiatives within an effective governance structure and framework.

Tourism is by its nature complex. It involves the public sector and private sector. Administration and oversight crosses jurisdictional boundaries between federal, state, and county agencies. Communities are directly impacted by tourism activities. It is now and will be for the foreseeable future a major contributor to Hawai'i's economy. Funding is required to manage tourism, mitigate impacts, and to create a global brand that attracts our preferred visitors. This bill proposes to seek out best practices in tourism governance and identify structures that enable coordination across agencies, jurisdictions, and stakeholders in order to provide long term planning, impact mitigation, and effective marketing.

Hawai'i has not been alone in facing the challenges of what has been called "overtourism," and in my work I have found many other destinations that are far more advanced than Hawai'i in developing effective organizational structures to deal with tourism's complexity, some of which are noted in the proposed bill. Some recent evidence from my own experience:

- I participated in a tourism policy forum convened by the Harvard Extension School, involving more than thirty participants from around the world and which included a headline finding that "Effective Governance Requires New Forms of Organization."
- I have contributed a case study for the book "Overtourism: Lessons for a Better Future," published by the Center for Responsible Tourism (CREST). This important book includes twenty-two case studies highlighting responses to the challenges of overtourism domestically and internationally.
- In working on other tourism projects, I've discovered dozens of other management plans with issues and structural concerns similar to Hawai'i's.
- There are many other examples of destinations around the world rethinking their traditional governance structures to address the new realities of tourism.

Hawai'i, its counties, and the HTA all have good intentions when it comes to re-orienting and re-focusing tourism. What this bill proposes, though, is assessing how to **restructure** it as well: to make progress more coordinated, more effective, and more sustainable.

Despite the feeling of some that we have not attempted to manage tourism, we have, in fact, had many plans with good intentions in the past that have not resulted in sustained benefits. To cite just a few:

- In 1991, when Hawai'i welcomed about 6.5 million visitors, the Waihee administration adopted a Tourism Functional Plan that found "... Tourism growth has renewed attention to environmental issues ... an increased focus on cultural tourism and heritage reservation ... [and] also raised questions regarding impacts on the community."
- In 1998, facing a different set of tourism challenges, Governor Cayetano convened an Economic Recovery Task Force, which, among other recommendations, proposed the establishment of a Hawai'i Tourism Authority.
- In 2005, HTA adopted a strategic plan covering nine strategic initiatives. Subsequently, HTA pulled back from this expansive approach because it didn't have authority over other agencies to effectively implement the plan.
- In 2006, the legislature commissioned a large-scale project, "Planning for Sustainable Tourism," to bring a cross section of stakeholders together to develop a common vision for tourism's future.

These well intended plans and initiatives ultimately proved ineffective in preventing the negative impacts that we've seen in recent years. What's been missing, as I've noted, is a governing structure that can effectively turn these good intentions into real and long-lasting progress toward destination management.

Based on what I've seen, there are many different models in the U.S. and globally for funding, managing access, involving community, developing long range plans, and other essential elements of good governance to choose from and learn from. With all of the challenges we face, I believe making an investment in examining other governance models as proposed by this bill would be a wise investment, indeed.

Mahalo for the opportunity to testify.