



Ke'ena Kuleana Ho'okipa O Hawai'i
Hawai'i Convention Center
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Josh Green, M.D.
Governor

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

Wednesday, March 8, 2023
10:00 a.m.
State Capitol Conference Room 308 & Videoconference

In consideration of
HOUSE BILL NO. 300
RELATING TO THE STATE BUDGET

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

Mahalo for the opportunity to offer this testimony in support of HB300, including annual base funding for the Hawai'i Tourism Authority (HTA) of \$60 million for FY24 and FY25, along with an incremental \$15 million allocation for FY24 only.

HTA is responsible pursuant to HRS 201B for stewarding the Hawaiian Islands brand globally, educating prospective visitors, and working to balance tourism's economic benefits with its impacts on natural resources and communities. We do this through active presence in our primary visitor source markets, a robust program of pre- and post-arrival visitor education, a focus on destination management guided by the community-generated Destination Management Action Plans, and investment in programs led by local organizations to enrich our natural resources, Hawaiian culture, and community.

Over the past two and a half years, Hawai'i experienced and survived a massive economic collapse thanks to a coordinated effort between the private and public sectors. In concert with our partners and stakeholders, and led by our board of directors, HTA has been guiding and supporting the recovery of our tourism industry which has helped resuscitate Hawai'i's overall economy ahead of projections.

Tourism is the largest sector of Hawai'i's economy, and therefore a major contributor of tax revenues to fund important state priorities. In 2022, preliminary numbers show that Hawai'i tourism topped the previous high water mark 2019 in visitor spending (\$19.3 billion, +8.9%) and state tax revenue (\$2.21 billion, +6.2%) with fewer visitor arrivals (9.25 million, -11%).

It is important to note that this strong recovery was primarily powered by the U.S. market, where HTA has maintained continuity in our visitor education, brand management, and support services even through the contested process to procure the next contract for that market. Two major HTA procurements are under way at this time, requests for proposals in U.S. brand management and marketing, and support services for destination stewardship. The budget requests before you will fund the work being procured in those two RFPs.

The request for an incremental \$15 million in FY24, on top of the \$60 million in requested base funding, will return us to an operational cadence that allows us to focus on the important work of balancing tourism's economic benefits with its impacts through destination management and visitor education.

In FY24 at \$75 million, our proposed budget invests 25% into community programs, 60% into brand management and visitor education, 10% into sports marketing, and the remaining 5% into our staff, administration, and governance.

In FY25 at \$60 million, our proposed budget adjusts to 23% community programs, 60% brand management and visitor education, 10% sports marketing, and 7% staff, administration, and governance.

The Hawai'i Tourism Authority is also responsible for the management of the Hawai'i Convention Center on behalf of the state. We are requesting the restoration of an expenditure ceiling of \$28.5 million for the Convention Center Enterprise Special Fund. That fund has historically been sourced from Transient Accommodations Tax revenues and reinvested in the operation and maintenance of the Hawai'i Convention Center, a state asset that serves kama'āina and visitors alike.

In the 2021 legislative session, the Convention Center was provided ARPA funds and the expenditure ceiling for the special fund was removed. \$34.9 million is in the Convention Center Enterprise Special Fund, \$29 million of it unencumbered and unaccessible until an expenditure ceiling is restored.

Conversations are also ongoing with the tourism committees in both chambers of the Legislature to seek a path forward for critical repairs to the Convention Center roof.

HTA's message to prospective visitors around the world is **Mālama Hawai'i**: an invitation for them to join kama'āina in caring for our beloved home. Setting that intention and expectation, combined with robust visitor education through all stages of the journey, is our strategy to target and welcome visitors who prioritize the environment and being mindful guests – all key to achieving our goal of a regenerative model of tourism.

We appreciate the support of this committee, and look forward to working with you to continue our work on behalf of the people of Hawai'i. Mahalo for the opportunity to provide this testimony.