



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

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

Statement of  
**JOHN DE FRIES**  
Hawai'i Tourism Authority  
before the  
**COMMITTEE ON WAYS AND MEANS**

Thursday, March 23, 2023  
10:00 a.m.  
State Capitol Conference Room 211 & Videoconference

In consideration of  
**HOUSE BILL NO. 300 HD1**  
**RELATING TO THE STATE BUDGET**

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Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means,

Mahalo for the opportunity to offer these comments on HB300 HD1, which allocates \$35 million to the Hawai'i Tourism Authority in each year of the biennium. While we appreciate the consideration of funding, that level is significantly lower than our request of \$60 million for each year of the biennium, and a one-time incremental \$15 million in FY24 only.

**The cuts proposed in HB300 HD1 will drastically reduce HTA's capacity to execute visitor education and destination management initiatives.** There would be cuts to Hawaiian culture initiatives, community enrichment programs, signature events, the implementation of the Destination Management Action Plans, workforce development, capacity building and technical assistance for community non-profits, and sporting events.

HTA is committed to destination management and has efforts ongoing statewide in close partnership with the counties and community organizations. These deep cuts would delay or derail those efforts, including an active procurement of support services for destination stewardship.

A fragile recovery of Hawai'i's visitor industry is still ongoing – especially in our international markets – and the Council on Revenues and the University of Hawai'i Economic Research Organization agree that larger economic uncertainty looms on the horizon.

While we acknowledge the challenges we have experienced in the past and continue to work to strengthen our processes, we encourage a reconsideration of budget cuts this drastic to the agency responsible for managing Hawai'i's visitor industry.

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.

Our original 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.

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.

After a year of record-breaking state tax collections attributable to the unexpected rebound of tourism's success, coupled with a record budget surplus, HTA's work implementing strong destination management and long-term visitor education programs is more than worth the investment.

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