Governance with Aloha:

A Report and Recommendations for Guiding Destination Stewardship of Hawai‘i

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Better Destinations LLC

Place Generation

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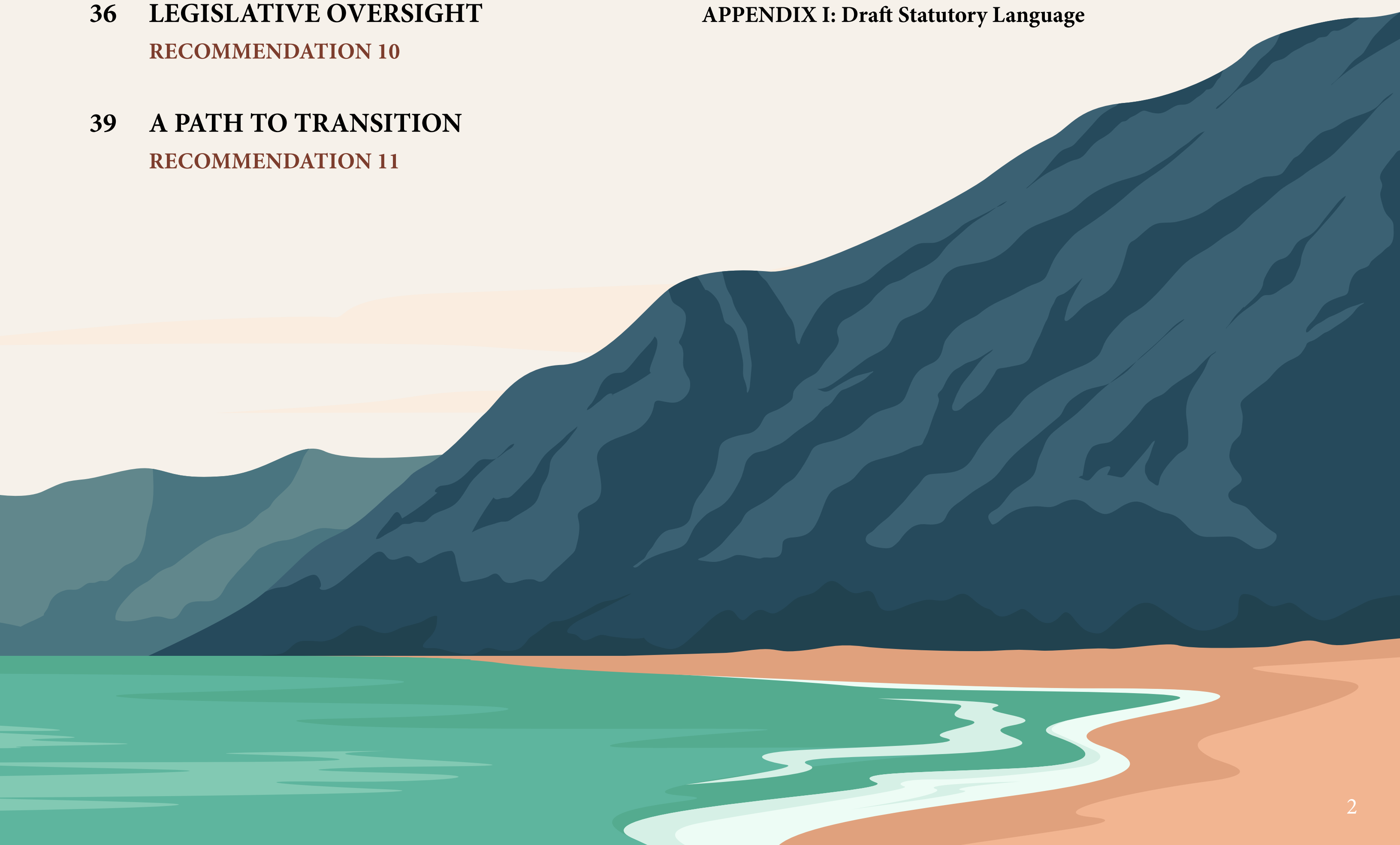
SMARInsights

CONTENTS



OVERVIEW
Setting the Context

In its Governance Study RFP 24-07, the Hawai‘i Tourism Authority (HTA) raised the question of whether an alternative tourism governance system is necessary. The answer is yes.

It is clear there is a widespread belief that Hawai‘i’s signature industry requires state oversight. Of the 691 stakeholders responding to a survey earlier this year, 67% agreed that it is important to have a state tourism governance system, with 45% strongly agreeing. There also is a firmly held belief that a new structure is needed. This was expressed not only through the survey, but in interviews and workshops across the islands conducted from February to May 2024.

A common thread runs through these many hundreds of encounters. It is clear that creating trust will be the key to success. When stakeholders were asked to identify the most important qualities for a state tourism governing body, “Trustworthy” was the top pick. If a transition is set in motion but fails to restore the trust of residents in tourism and the trust of elected leaders and stakeholders in the governing organization, the future viability of Hawai‘i’s core industry is jeopardized. Re-establishing trust will require two simultaneous actions: thinking in new ways and setting aside past agendas and resentments, however justified. It is undeniable that HTA has made gains in the past legislative session. At the same time, legislators placed tight new controls on its actions and took away the last shred of its independence as an authority. This is prima facie evidence of a lack of trust.

In Hawai‘i, the path to trust involves consultation of stakeholders, collaboration with stakeholders, action with stakeholders, and aloha. To borrow the words of a beloved Honolulu pastor, the Reverend Abraham Kahikina Akaka, “Aloha is the unconditional desire to promote the true good of other people in a friendly spirit out of a sense of kinship.”

This wisdom lies at the heart of destination stewardship. Genuine collaboration to achieve positive outcomes for all around shared goals is inherent to stewardship. “A sense of kinship,” which Rev. Akaka also describes as ‘Ohana, is what makes collaboration work. This is how trust can be built, and this is why the first of the 11 recommendations in this report advises that the HTA be reorganized as a destination stewardship organization. This recommendation, and nearly all of the other ten that follow, relate in some way to restoring and improving trust.

Much has changed since HTA was created in 1998 to revitalize a state economy battered by the decline of its agricultural sector. At the time, HTA’s dedicated revenue stream, along with provisions giving it independence to compete effectively, made it a global model for tourism governance. In the years that followed, HTA became among the first in the world to advance destination management strategies and to seek sustainable tourism solutions. By embarking on a path of destination stewardship “to promote the true good” and in a “friendly spirit out of a sense of kinship,” Hawai‘i can be a global leader again.

To do otherwise puts Hawai‘i at risk. The state’s tourism economy is softening. Even as the strong U.S. dollar continues to make Hawai‘i a more expensive option for international travelers, other issues are arising. In April 2024, top operators and wholesalers attending a Travel Weekly Leadership Forum roundtable reported ongoing fallout from the August 2023 Maui fires. Many said their frontline representatives were countering misperceptions daily that all of Hawai‘i, not just Maui, has been impacted, and that residents are not eager to welcome visitors.

THE HAWAI‘I CHALLENGE

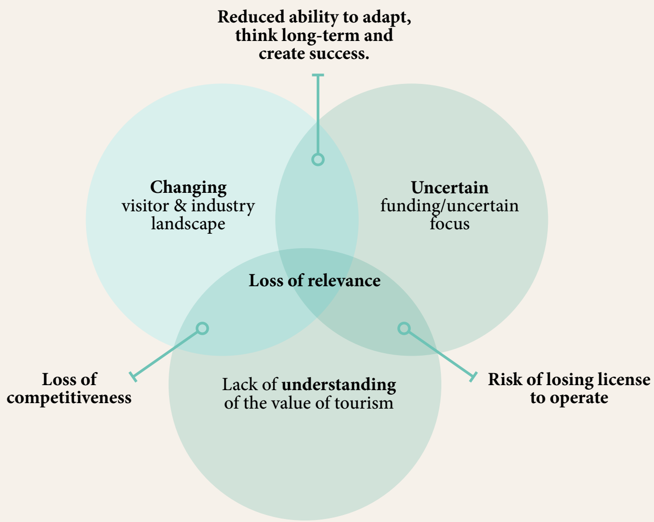


Figure 1: The Hawai‘i Challenge.

As illustrated by Figure 1, the future success of Hawai‘i tourism rides on a complex set of factors. “The Hawai‘i Challenge” is not a threat that is confined to the HTA. Because tourism is so engrained in the fabric of the islands’ economy and way of life, a threat to tourism is a threat to government budgets and to the finances of about 30% of the state’s workforce as well.

As the wholesalers and tourism operators were warning, travelers who reported feeling unwelcome in Hawaiʻi were gravitating to other destinations. The longer that negative attitudes toward visitors stay alive and in the media, the more likely these perceptions will take a toll on the appeal of Hawaiʻi as a destination. Continuing pushback from residents who see no benefits from tourism threatens the visitor industry's social license to operate. This appears to be at the root of many negative attitudes expressed toward HTA in a stakeholder survey conducted in March and April 2024. These attitudes had far more to do with residents' unhappiness with tourism in general than with HTA. The authority catches the heat for many things that go wrong, even traffic jams.

These negative attitudes, coupled with a loss of competitiveness, are posing a growing threat to Hawaiʻi's relevance as a travel destination. But few outside the tourism industry see the threat. Many in Hawaiʻi take the appeal of their islands for granted. It is commonplace for residents — even highly informed people — to express views that Hawaiʻi doesn't need to promote itself to visitors. It is true that Hawaiʻi ranks high as a dream destination. But independent research consistently points to a sobering reality: Travelers may dream of Hawaiʻi but they travel to other destinations that offer more value for the money and that are much easier to get to.

Hawaiʻi's distance from key markets is likely to pose an even greater threat in the future as more travelers seek to reduce their carbon impact. The Global Business Travel Association says a destination's sustainability practices already is a top concern for meeting and event planners. Answers can be found in centering the Hawaiʻi product around an authentic experience of its unique culture and place. Nowhere else can compete with that.

A THIRD THREAT

Hawaiʻi tourism has been grappling with another profound threat. In recent years, the state's lead tourism agency has been stripped of funding and authority even as competitors have seen their budgets and influence rise. Constant pressures and even attacks have been an ongoing distraction that have shaken focus, created uncertainty, and undermined confidence. Though the agency is on track to receive its first legislative appropriation in three years for FY25, the HTA today is a far weaker agency than it was in 2021. The HTA's new $63 million budget is strictly prescribed. Among other privileges on the chopping block, the HTA is losing its flexibility to transfer funding from one line to another to address challenges that may arise in the new budget year. Meanwhile, it is being required to take on new responsibilities — including implementation of the four DMAPs — with no additional funding. Thus, at a time when other threats are rising, the state's lead tourism agency has less ability to adapt, think long term, and create success. (See a full discussion of "The Hawaiʻi Challenge" in **APPENDIX F**.)

This third threat is at the heart of why this study recommends that a new system of tourism governance is necessary. The state tourism structure lauded as a global model 25 years ago has lost much of its authority and the trust of its stakeholders. Many acknowledge recent improvements, but the almost unified outcome of seven Ideation Sessions held in April and May 2024 strongly affirmed that the current structure requires significant reform. While many saw merit in restructuring state tourism oversight in a Cabinet-level agency, there was far more interest in reshaping Hawaiʻi's tourism agency as a nonprofit corporation. (See **APPENDIX G** for a full report of Ideation Session findings.)

The case for new pathways

Any tourism organization will lose relevance if:
- It cannot adapt to a changing visitor and industry landscape.
- Unstable funding interrupts its strategic focus.
- The value of tourism is unclear.

Transitioning to a new form of tourism governance will require much collaboration, effort, and goodwill to achieve the desired results. It also will require time. The transition plan outlined in **RECOMMENDATION 11** would take at least two years to accomplish.

Questions may be raised about whether HTA can be restructured in keeping with the recommendations of this report rather than create an entirely new organization. Yes, it is possible. Based on the research and findings detailed in this report and the companion situational analysis, however, changing the HTA is not the optimal solution. It is recommended for Hawaiʻi to create a new system of tourism governance, free of the baggage of the past, and structured top to bottom to have independence and stability to steward a thriving tourism ecosphere in keeping with the desires of residents and visitors.

THE BACKDROP FOR THIS STUDY

In authorizing this governance study, the HTA has courageously signaled an openness to revisiting the question that was raised in 1997: What is the best approach for generating positive outcomes from the state's top economic driver? The answers are much different today. It is important to note that both the HTA and the HTA Board have refrained from directing the outcomes of this study to ensure that the findings and recommendations are seen as credible and reflective of stakeholder perspectives across Hawaiʻi.

Last year, key legislators agreed to postpone action on drastic efforts to reorganize HTA until this study could be completed. Those efforts have faded, and legislators now are advancing alternatives through SB3364. Among the many provisions is language underscoring the importance of destination management and regenerative tourism for effective governance of Hawaiʻi tourism. The recommendations of this study are closely aligned with this new requirement.

As indicated earlier, this report draws much inspiration and its name from the Hawaiian value of Aloha, which conveys profound layers of meaning. For instance, on Maui, our consulting team learned that the County awards grants "with Aloha," meaning with fairness and good intention. In the context of this report, Governance with Aloha means governing with a willingness to understand and honor various perspectives. It also means governing in ways that are intended to create harmony, trust and positive outcomes, to look beyond the obvious, and to seek partnership in the truest sense of the word. These are the themes that guide the following recommendations.

Glossary

During the course of this study, it became clear that different meanings are attached to various terms that are integral to tourism management and promotion. The following definitions are offered to create clarity and context for the recommendations of this study.

- **Brand.** A brand is a unique identity representing a company or organization and its values, personality, and reputation. A place brand is the sum of all stories told about that place by people who live, work or study in a place or visit that place. According to SB3364, the "Hawaiʻi brand" means the qualities and programs that collectively differentiate the Hawaiʻi experience from other destinations.

- **Capacity building.** Capacity building is defined as the process of developing and strengthening the skills, instincts, abilities, processes and resources that organizations and communities need to survive, adapt, and thrive in a fast-changing world.

- **Community.** For this report, the definition of community is open-ended. Hawaiʻi has a rich abundance of communities. These can include neighborhoods, communities of people on each island as well as people who share a common heritage or share employment in various lines of work, including tourism. It can also describe a group of people who have experienced a shared tragedy, such as the community of Maui fire survivors.

- **Department of Business, Economic Development and Tourism (DBEDT).** The Hawaiʻi state agency providing oversight of seven divisions and offices, four boards and commissions, and 10 administratively attached agencies, including the Hawaiʻi Tourism Authority (HTA). The DBEDT executive director is an ex officio member of the HTA Board of Directors.

- **Destination.** A place that travelers make a point of visiting. The word destination is not interchangeable with the word community. People visit a destination, and they live or take part in a community. The HTA's target visitor — Mindful Hawaiʻi Travelers — often strive to be part of a community when they arrive at their destination.

- **Destination Development.** The process of improving a destination's physical, social, cultural, and economic attributes to attract and retain visitors while preserving its resources and minimizing negative impacts.

- **Destination Management.** Destination management consists of the coordinated management of all the elements that make up a tourism destination. Destination management calls for a coalition of many organizations and interests, including public and private stakeholders, working towards a common goal, typically to sustain the competitiveness and quality of a tourism destination. SB3364 describes destination management as a collaborative process to attract targeted visitors and improve visitor experiences, improve natural and cultural resources valued by all, develop and maintain tourism-related infrastructure to prevent overcrowding and overuses, and ensure services that enhance the visitor experience.

- **Destination Management Plans.** Often known as DMAPs, this planning process was innovated by the HTA in 2020 to provide six islands with an opportunity to identify their top priorities for destination management and regenerative tourism. The collaborative process, guided by four destination managers, included representatives of government agencies, the visitor industry, communities, and other sectors. Beginning in FY2025, the destination manager positions will be included in HTA's headcount.

- **Destination Marketing.** The traditional mandate of a DMO, which involves promotion, advertising, and brand management for a tourism destination.

- **Destination Stewardship.** A collaboration process by which local communities, governmental agencies, NGOs, and the tourism industry take a multi-stakeholder approach to maintaining the cultural, environmental, economic, and aesthetic integrity of their country, region, or town. It is about protecting the very qualities that make a place first and foremost a wonderful place to live, with the added benefit of being a wonderful place to visit.

- **Destination Stewardship Organization.**
The definition of this new concept is under much discussion in the tourism world. For purposes of the Governance with Aloha study, a DSO is defined as follows:
Our organization is committed to a "community-first," regenerative mindset that delivers not only a healthy tourism economy but addresses local priorities and improves unique assets through ongoing collaboration. Success is measured against a holistic range of considerations, extending beyond widely accepted economic outcomes to include social, cultural, and environmental improvements, with a goal of delivering "net-positive" results from tourism.

- **Economic Leakage.** Economic leakage occurs when a high percentage of revenue leaves the host community. Initiatives to support local businesses and entrepreneurship can be seen as ways to address economic leakage.

- **HTA.** Hawai'i Tourism Authority, the agency founded in 1998 to lead the state's economic recovery by building the tourism economy and marketing the Hawai'i brand to the world. It was structured as an authority and administratively attached to DBEDT to provide it with exemptions allowing it to compete more effectively in a global marketplace.

- **Hawaii resident.** Anyone who makes Hawai'i their home.

- **Hawaiian:** Many standard dictionaries describe anyone who lives in Hawai'i as Hawaiian. This report, however, recognizes that in Hawai'i, the word Hawaiian is understood as an ethnic designation for an indigenous person of Polynesian descent. Those whose ancestry is at least 50 percent Hawaiian are eligible for land entitlements in Hawai'i.

- **Hawai'i Tourism Authority Board of Directors.** The 12-member board appointed by the governor to oversee the HTA based on statutory authority and bylaws.

- **Hawaiian Values:**

Aloha. Two of the main ideas relayed with the word "aloha" are "empathy" and "sympathy" — to be able to put one's own ego aside and, instead, put oneself in another's state-of-being and/or mindset. With aloha, one looks beyond what is being presented by pondering the reasons behind the presentation. Aloha, as a reciprocal practice, nurtures harmony and balance.

Mālama. The concept of "mālama" stems from deep appreciation and/or respect. "Mālama" is more akin to taking care of something as best as possible. If one borrows an item from someone else, that item is cared for better than the borrower's own items. The item borrowed is protected, and all efforts are made to return the borrowed item in a better condition than when it was lent.

Ohana. Whether Native Hawaiian, of missionary origin, paniolo, or immigrants for the sugarcane and pineapple industries, concepts of " 'ohana" i.e., family and kinship, are deeply valued. This commonality unifies people, including the various ethnic groups that founded contemporary Local communities, culture, and lifestyle. It is one reason why Local people are accustomed to addressing others as "braddah," "sistah," "cuz," "aunty," or "pāpā," regardless of blood relationships. To avoid offense, others should avoid using these terms until someone is introduced to them in this way.

- **Hawaiʻi Visitors and Convention Bureau.** A private, member-based nonprofit with roots in organizations that have been marketing Hawaiʻi since 1903. HVCB currently is contracted by the HTA to steward the Hawaiʻi brand, market the islands to U.S. travelers, attract targeted global MCI travelers, monitor air service, and manage GoHawaii.com and other brand assets.

- **Island Chapters.** HVCB operates Island Chapters on each of the four main islands: Oʻahu, the Island of Hawaiʻi, Kauaʻi, and Maui. Initially established as independent visitor bureaus, the organizations banded with HVCB in the early 2000s, and their staffs have been HVCB employees ever since. The Island Chapters all have responsibilities for managing domestic and international marketing initiatives as well as for visitor safety and security. The Maui Visitors & Convention Bureau played a major role in airlifting about 12,000 visitors to safety from the Maui fires in August 2023. Since November 2023, HTA has been contracting directly with a consortium of the four Island Chapters to provide island-based services.

- **Key Performance Indicator.** A measure of performance over time for a specific objective that is quantifiable. The KPIs of the HTA's 2020-2025 strategic plan include Resident Satisfaction, Average Daily Visitor Spending, Visitor Satisfaction, and Total Visitor Spending.

- **Kuleana.** Kuleana is a Hawaiian word describing a privilege that also carries a responsibility.

- **Mindful Hawaiʻi Traveler.** A term initially coined to describe the target traveler for the Mālama Hawaiʻi campaign and that remains the focus of current campaigns. The expression describes a concerted focus on attracting high-value visitors inclined to honor Hawaiʻi's natural resources, culture and people.

- **Metric.** A metric is a standard of measurement. Metrics are measured to track KPIs.

- **Promotion.** All activities that support or encourage people to come to a place or to behave responsibly are considered promotion. Promotion is often executed through campaigns, but can also be conveyed by word of mouth or "word-of-referral" in a digital environment.

- **Regenerative Tourism.** A holistic philosophy of designing tourism to deliver "net positive" benefits for the people and places that host visitation by creating improvements that outweigh negative impacts. SB3364 further defines regenerative tourism as engaging in economic development activities that allow communities to flourish, provide visitors with genuine and meaningful experiences of Hawaiʻi, and create improvements for the well-being of the environment as well as current and future generations of residents, indigenous communities, and visitors.

- **Stakeholder.** Anyone with an interest in Hawaiʻi tourism is considered to be a stakeholder in this discussion of Hawaiʻi tourism governance.

- **Sustainable.** Sustainable is becoming more seen as "sustaining a current state" whereas regenerative is seen as restoring or renewing to a preferred state. For instance, a move to stop harvesting trees near a river might be seen as sustaining the river's current health. Regeneration would involve restoring the riparian zone. Another example: Purchasing carbon offsets for "carbon neutral" travel allows for sustainable travel. Regeneration involves taking steps to reverse climate impacts and reduce global temperatures.

- **Sustainable Tourism.** Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment, and the people of a place.

- **Tourism Industry.** Organizations involved in delivering tourism products and services.

- **Tourist.** A word that often carries a negative connotation. Tourists frequently are derided as people who have little understanding of the places they visit. The words visitors or travelers often are seen as more positive terms. All three terms may refer to people visiting overnight or for less than a day.

- **Visitor Economy.** All aspects of an economy relating directly or indirectly to the provision of services to visitors and that generate visitor spending. This phrase often is used interchangeably with "tourism economy."

- **Visitor Management.** The process of influencing, directing, and accommodating the behaviors and flow of visitors to and within a destination, whether with constraints on parking, transportation, or entry or through marketing strategies to disperse, quell or inspire visitation.

- **Workforce development.** This activity can encompass efforts to train, recruit or even import workers to allow an economy to function at full capacity. It also can refer to activities to enhance the skills of workers to provide pathways to more earnings, promotions, or new careers.

SUMMARY of Recommendations

RECOMMENDATION 1:
Restructure HTA as a Destination Stewardship Organization.

RECOMMENDATION 2:
Establish a new position of Stewardship Liaison in the Governor's Office.

RECOMMENDATION 3:
Organize the DSO as a nonprofit.

RECOMMENDATION 4:
Structure a productive partnership between the DSO and HVCB.

RECOMMENDATION 5:
Create a Hawaiʻi Destination Stewardship Council to provide strategic oversight.

RECOMMENDATION 6:
Establish Island Destination Stewardship Councils to empower meaningful collaboration between the state and islands.

RECOMMENDATION 7:
Fund the DSO with a predictable source of revenue.

RECOMMENDATION 8:
Center the DSO's organizational structure on stewarding Hawaiʻi tourism.

RECOMMENDATION 9:
Elevate understanding of the value of Hawaiʻi tourism through greater transparency of TAT allocations at both the state and county levels.

RECOMMENDATION 10:
Empower the new state tourism agency to lead.

RECOMMENDATION 11:
Establish a Blue Ribbon Commission for Hawaiʻi Tourism Governance.

RECOMMENDED Governance Structure

PLEASE NOTE: Recommendations frequently reference findings compiled in a substantial companion document produced for this report, **Governance With Aloha: A Case for Reinventing Hawai‘i Tourism Oversight.** This document is referred to as the Governance With Aloha Situational Analysis, and is provided in the Appendices to this report. The Governance With Aloha Situational Analysis includes five appendices, including one that shares 11 U.S. and global benchmark studies and another providing the full findings of the Stakeholder Study.

OVERVIEW

The last time the state of Hawai‘i designed a tourism governance structure was in the late 1990s, and the outcome was a model that attracted global commendation. That same spirit of invention has infused the work of this study. A wide range of stakeholders from across the islands was invited to take part in a series of “design-build” exercises — whether in Co-Creation Labs, Ideation Sessions, or even a 15-minute online survey — to consider how Hawai‘i tourism governance should be crafted for the future.

Collectively, their insights, along with input from many dozens of in-depth interviews, point to pathways that turn out to be highly consistent with legislation introduced just days before this study got underway in late January 2024. Titled “Relating to Destination Management,” SB3364 would authorize the HTA to enhance the state’s tourism industry’s ability to “grow its positive contributions” for the state’s residents, as long as the HTA’s activities “follow destination management practices and integrate regenerative tourism.”

This commitment to destination management and regenerative tourism is integral to this study’s recommendations. But, as documented by this study, other interests also merit consideration:

- **In a statewide survey, stakeholders identified the following qualities as vital for state tourism oversight:**
    - Trustworthy
    - Independent of politics
    - Protective of Hawaiian resources and culture
    - Focused on the long term
    - Effective
    - Efficient

- **Most Ideation Session participants shared a belief that oversight** of the state’s leading industry should be at the highest levels of government — and that a new entity requires a new name.

- **There was no clear preference for whether state tourism oversight should be housed in a nonprofit or within a government structure.** Typically, participants in interviews and workshops offered pros and cons for each model. In contrast, about 35% of stakeholder survey respondents leaned toward a nonprofit structure, compared with 18% who backed a state agency structure, but the largest group — 39% — was neutral.

- **There is little support for restoring an exemption from the state procurement code, a privilege that HTA lost in the 2021 legislative session.** Many, including HTA Board Members, said it was better for HTA to abide by the state’s “sunshine laws” to create transparency, build trust, and provide an opportunity for public review and input. SB3364 would take away the last of HTA’s special exemptions as of July 1, leaving it to operate under all of the same rules as most other state agencies, under the authority of DBEDT.

- **Whether in interviews, workshops, or survey findings, large numbers of stakeholders shared a belief that local and county organizations and people should have more influence in how tourism is managed and promoted on their islands.** County leaders, however, often noted in interviews that their offices were not currently equipped to lead destination management initiatives.

- **Many stakeholders expressed a belief that a state tourism entity should be empowered** to convene other state entities and county organizations to develop integrated solutions and strategies for destination management and regenerative tourism.

- **When asked if a new system of Hawai‘i tourism governance should be a global model,** Board Members taking part in the HTA Board’s Ideation Session on May 13, 2024, said it was far more important for Hawai‘i tourism governance to be seen as a model for the State.

- **Some stakeholders, especially on the neighbor islands, expressed a belief that Hawai‘i needed a more diversified economy.** Others noted that experts have been exploring alternatives for years, and the answer is always the same: Tourism is Hawai‘i’s most promising industry. One long-time hotelier and consultant suggested: “Rather than try to diversify the economy, why not diversify the tourism economy?”

- **Hawai‘i residents have little awareness of the enormous sums that tourism contributes to state and county coffers and into the overall economy.** Taxes on overnight stays alone poured nearly $1.44 billion into the General Fund during 2023, including $846.3 million in Transient Accommodations Tax and another $589.5 million in General Excise Tax (GET). These two lodging-related revenue streams alone represent 15% of the state’s $9.6 billion General Fund appropriation for FY24.

Based on extensive stakeholder engagement and other research, including U.S. and global case studies and a review of world tourism trends, recommendations for structuring a system of governance for Hawai‘i tourism are detailed in the remainder of this report.

RECOMMENDATION 1

RESTRUCTURE HTA AS A DESTINATION STEWARDSHIP ORGANIZATION.

With passage of SB3364, the HTA would have a newly minted legislative mandate as of July 1 to grow the tourism industry as long as its strategies "follow destination stewardship practices and integrate regenerative tourism." Another bill — SB2659 — incorporates a regenerative tourism framework into the Hawai'i State Planning Act and would require HTA to provide periodic updates to the state's Tourism Functional Plan.

These new mandates point to an opportunity for HTA to be restructured in an entirely new way — as a Destination Stewardship Organization (DSO), with every function of its office aligned around the principles of destination stewardship and regenerative tourism. This new positioning also can be seen as a natural progression of the HTA Board's move in July 2023 to establish a Destination Stewardship branch within the office and name Chief Brand Officer Kalani Ka'ana'ana as the agency's first Destination Stewardship Officer.

ADVANTAGES OF DESTINATION STEWARDSHIP

PRIVATE SECTOR BENEFITS

- Compete on a level playing field
- Receive government support
- Connect with destination needs (CSR)
- Coopetition with other businesses for mutual benefit
- Protected products and investments as destination quality is preserved
- Access to new, innovative or authentic products
- Postive community relations
- Less - or more efficient - regulations
- More resilient supply chains
- Postive customer experiences
- Networking opportunities

PUBLIC SECTOR BENEFITS

- A mandate for destination management
- Shared resources/accountability
- Postive community relations
- Private sector sommitment to change
- Backing for investment in new infastructures
- Successful diversification of products and markets
- A more resilient visitor economy
- Enhanced destination image
- Improved liveability

COMMUNITY BENEFITS

- Strong voice in development processes
- Improved quality of life
- Diverse amenities
- Inclusive opportunities for employment and entrepreneurship

Source: The Travel Foundation.

In reframing itself as a DSO, the HTA can be relaunched as an exemplary State agency, thoroughly aligned with priorities expressed by stakeholders and legislative overseers.

Although HTA Board Members say achieving recognition as a global model is a secondary consideration, this recommendation also would position Hawaiʻi as the first state in the U.S. to organize every aspect of its tourism oversight around the principles of destination stewardship. It also would be among the first destination organizations in the world to do so.

DEFINING A DSO

The precise definition of a Destination Stewardship Organization remains under much discussion across the tourism ecosphere, and the concept is evolving rapidly. These examples provide context for a Hawaiʻi DSO:

- **Visit California declared itself a Destination Stewardship Organization in 2022, becoming the first state tourism agency to take this step.** Visit California's 2022 destination stewardship plan — Destination Stewardship & Sustainable Travel — mapped out strategies to expand sustainable practices, encourage responsible tourism, shape visitor travel patterns, infuse the California brand with stewardship, and amplify the sense of pride residents have in their state. Later that year, Visit California allocated $5 million of its $48 million in federal pandemic recovery funds toward developing destination stewardship plans for each of its 12 regions. While Visit California's enabling legislation requires the commission "to increase the number of persons traveling to and within California," CEO Caroline Beteta says the agency began incorporating a focus on destination stewardship out of a realization that the approach would foster a healthier visitor economy that ultimately would benefit Visit California's "investors."

- **Sonoma County Tourism was the first destination organization in the U.S. to embrace the role of a Destination Stewardship Organization.** In a 2018 planning process, the California wine destination declared its commitment to "move from being a Destination Marketing Organization (DMO) to a Destination Stewardship Organization (DSO) with the goal of ensuring all programming is in the best interest of Sonoma County. The core programming around sales & marketing remain, but activities and plans show strong leadership for the long-term sustainability of the County and its residents." With no industry guidelines to follow, President & CEO Claudia Vecchio built responsible tourism into the organization's practices through partnering with Leave No Trace and Kind Traveler and embracing a broad-based approach to resident engagement. More recently, Sonoma County Tourism sought to earn certification to Global Sustainable Tourism Council standards and created a Destination Stewardship and Resiliency Master Plan in May 2023.

- **Glacier Country Tourism, a Western Montana regional destination organization that represents eight counties and Glacier National Park, adopted one of the first destination stewardship plans in the U.S. in October 2022.** The 10-year plan is centered on collaborating with communities throughout the region to identify and help resource their top priorities for tourism. Initially, Glacier Country concentrated responsibility for its destination stewardship initiatives under a single new staff position. Earlier this year, however, the organization evolved to integrate responsibility for destination stewardship into every program and staff position, effectively becoming a destination stewardship organization.

- **A formal definition of destination stewardship emerged from a fall 2023 discussion convened by Miles Partnership that included several organizations, including The Travel Foundation.** By consensus, the discussion yielded definitions of three concepts — that happen to be similar to the three Governance Scenarios developed for this study's Co-Creation Labs. (See **APPENDIX C:** Three Governance Scenarios.)

DEMAND MANAGEMENT

Our organization prioritizes the promotion of our destination, with a primary focus on generating demand among visitors. Our budget and resources are predominantly allocated to marketing initiatives aimed at attracting visitors.

DESTINATION MANAGEMENT

Our organization emphasizes both demand and supply management, dedicating resources to destination development alongside promotion efforts. We consider a range of factors beyond just economic growth, including social, cultural, and environmental considerations in our decision-making processes.

DESTINATION STEWARDSHIP

Our organization is committed to balancing the needs of the community and visitors. We allocate a portion of our budget and resources to destination preservation, prioritizing the sustainable management of economic, social, cultural, and environmental aspects. Our decisions and actions consistently reflect this holistic approach.

While these definitions point to differences among three valid approaches for tourism management, this report recommends that Hawaiʻi embrace an even bolder definition of destination stewardship, as follows:

The 'Governance with Aloha' definition of a Destination Stewardship Organization

Our organization is committed to a "community-first," regenerative mindset that delivers not only a healthy tourism economy but addresses local priorities and improves unique assets through ongoing collaboration. Success is measured against a holistic range of considerations, extending beyond widely accepted economic outcomes to include social, cultural, and environmental improvements, with a goal of delivering "net-positive" results from tourism.

Under this definition, the DSO's focus and its organizational structure would look much different from HTA's today. Much as the Netherlands Board of Tourism & Conventions has used destination management as its organizing principle, the Hawaiʻi DSO would align all of its work around the principles of destination stewardship as described above. All of the tools that the DSO has at its disposal would become instruments for fulfilling the aims of destination stewardship.

In undertaking this transformation, it is important to dispel the belief that marketing and promotion are the enemy of destination management or destination stewardship. Under this study's recommended model for a DSO, the state tourism entity would shift its perspective of the purpose of marketing and promotion. Some long-standing functions of the HTA will remain important, namely: To energize a healthy tourism economy, it will remain essential to attract desirable visitors, stimulate visitor spending, and build a strong, resilient Hawai'i brand. But as a destination steward, the HTA also will be using marketing and promotion as tools to manage desirable visitor flows, inspire responsible and regenerative travel, generate more visitor spending for Hawaiʻi-based businesses and products, perpetuate and share Hawaiian culture, and express messages that are unique and important for each island. HTA and its long-time marketing partner, HVCB, already are doing admirable work in targeting "Mindful Hawaiʻi Travelers." These are high-value visitors who also are inclined to share respect for Hawaiʻi's natural resources, culture, and people. It is through marketing and promotion that Hawaiʻi's new DSO can achieve its economic KPIs. The entity also can also use its promotional might to support positive outcomes for social, cultural, and environmental priorities. By embracing and expressing this regenerative model for marketing, HTA also can reframe its marketing function as beneficial and potentially defuse suspicion and opposition to this important function of a state tourism agency.

An equally important function will be to manage the tourism economy. This responsibility encompasses a broad range of activities that can be described as destination management. These can include management of hot spots, preserving Hawaiian culture, creating tourism-related job and career pathways, building the capacity of small businesses to benefit from tourism, as well as other regenerative initiatives. All of these functions are more fully described in **THE KULEANA OF HAWAIʻI'S DSO.**

To function as a DSO, it will be vital for the state tourism entity to coordinate marketing strategies with destination management strategies so that initiatives send consistent messages and reinforce each other to achieve optimal outcomes. A "community-first" mindset requires development of strong collaborative structures, both to identify and act on local priorities and to empower communities to have a role in implementing solutions. The approach to creating the first four Destination Management Action Plans in 2021 points the way to productive pathways for future collaboration. These possibilities are more fully explained in **RECOMMENDATION 6.**This direction also is consistent with SB3364's new requirement for HTA to implement actions identified in DMAPs.

RECOMMENDATION 2

ESTABLISH A NEW POSITION OF STEWARDSHIP LIAISON IN THE GOVERNOR'S OFFICE.

Many have looked to HTA over the years to solve a multitude of problems, including some that are beyond the means of a single agency to address.

Among HTA's assignments for FY25 is the daunting task of developing a statewide digital app to collect entry fees and manage reservation systems at parks and natural areas across the islands. Although HTA will have $3 million to cover development costs, the state tourism entity has no jurisdiction over public lands, and only a handful of reservation systems are in place to date. It will be up to other state and county agencies to prioritize sites for reservation systems, establish entry points that can be staffed and managed, and set policies for collection and distribution of fees. Nevertheless, HTA is likely to be the agency judged for producing results.

Challenges of this magnitude, and in fact any destination management strategy, cannot be resolved without collaboration but HTA has struggled at times to bring needed partners to the table. While many laud the DMAP process for giving stakeholders a voice in identifying their county's top priorities, many DMAP steering committee members say they were frustrated by inaction on some of their biggest issues. Typically, progress hit a roadblock because neither the steering committee nor HTA had the power to resolve the issue — or to get the attention of other agencies capable of creating solutions.

Legislators are attempting to address this problem through SB3364 — by requiring HTA to implement the DMAPs. But without funding to resolve issues or the ability to engage other agencies in prioritizing destination management, HTA likely will be hard-pressed to deliver the desired results.

A NEW PERMANENT POSITION

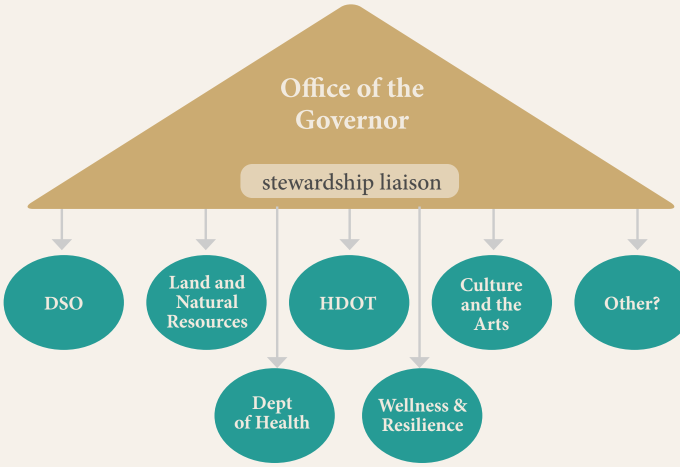
To support a trustworthy statewide destination management strategy, this study recommends creating a brand-new permanent position within the Governor's Office: Stewardship Liaison. Much like past Gov. Linda Lingle's legendary Tourism Liaison Marsha Wienert, the governor's Stewardship Liaison would have authority to convene other agencies within the Governor's Office to identify and implement priorities and solutions for advancing stewardship of Hawai'i's unique resources. Stewardship — whether of culture, communities, natural resources, or climate — would officially become not only a responsibility of the state's tourism agency, but of multiple state government entities. Under this umbrella, the new DSO also may take on a collaborative role in managing climate impacts.

This high-level oversight from a key member of the Administration borrows upon the principles of transversal planning to create a "whole of governance" approach for destination management, providing leadership to drive multi-agency solutions for a multitude of complex issues facing Hawai'i.

A Stewardship Liaison could play a pivotal role, for instance, in ensuring the success of the State's game-changing new digital reservation app. On behalf of the governor, the Stewardship Liaison could convene all of the relevant agencies to collaborate on a multi-year statewide strategy prioritizing sites for attention, establishing uniform policies around collections and pricing of fees, assigning responsibilities, setting timelines, and establishing the requirements for an app. Within this structure, the HTA could play a valuable and appropriate role for a state tourism office. With its access to graphic designers, developers, content writers and marketing and communications channels, HTA could design, develop, and promote an inspirational app that not only makes reservations and collects fees but shares travel tips and responsible practices for each site.

EXECUTING DMAP PRIORITIES

A Stewardship Liaison also would be much better equipped than HTA to make sure DMAP priorities are implemented. HTA is equipped and funded to lead development of the new DMAPs set for completion during FY25, but is likely to hit the same roadblocks to implementing them if island priorities once again require multi agency collaboration. Here again, the Stewardship Liaison would be in a position to convene multi-agency strategy sessions for implementing island DMAP priorities — or bigger solutions for DMAP priorities that are expressed across multiple islands.



Establishing a statewide stewardship officer is yet another way Hawai'i can be a leader in destination management. In the early 2000s, HTA was among the first destination organizations in the world to begin blazing the path. As an HTA Board Member, House Majority Leader Nadine Nakamura advocated for adding destination management capabilities to the HTA team and pushed to fund strategic plans for each main island to manage impacts of visitation, establishing a precursor for the DMAPs. Her work to create collaborations around managing visitor impacts on Hā'ena State Park stands today as an exemplary model for how a "hot spot" can be managed to support job creation, better experiences for visitors and residents, and better outcomes for natural resources. The Hā'ena Project provides an outstanding example of a WIN-WIN-WIN scenario.

Hawai'i can build on this legacy and build trust by creating a high-functioning system of statewide destination stewardship. By granting a high-level state stewardship official the power to convene collaborations, agencies like HTA, Department of Land and Natural Resources, Transportation, and others can be freed to play specific roles in contributing to solutions.

OVERSIGHT OF HAWAI'I'S DSO

Another key role for the Stewardship Liaison will be to provide oversight of Hawai'i's new Destination Stewardship Organization and to serve on its board. See **RECOMMENDATION 3** and **RECOMMENDATION 4.**

RECOMMENDATION 3

ORGANIZE THE DSO AS A NONPROFIT.

While macadamia nuts, pineapples or coffee may first come to mind as the state's largest export industries, tourism overshadows them all. In 2023, Hawaiʻi visitors injected nearly $21 billion in economic activity into the state's economy, contributing a substantial part of the state's $87 billion GDP last year.

Despite this enormous contribution to the state's finances, tourism appears deprioritized in Hawaiʻi state government today. A far smaller industry, agriculture, has held a seat on the Governor's Cabinet since 1903 when pineapple and sugar production were the cornerstone of the economy. Meanwhile, the agency for the state's largest ecomonic driver is overseen by an entity, The Hawaiʻi Department of Business and Economic Development, that now manages seven divisions and offices, four boards and commissions, and nine other attached agencies besides the HTA.

Although HTA initially was granted special exemptions as a state authority, now its budget is about half of what it was 15 years ago, and SB3364 will remove the last of the special exemptions. With the loss of its exemption from the administrative supervision of boards and commissions, every function of the HTA would be subject to DBEDT oversight. While DBEDT is recognized for its expertise in administering state entities in accordance with state guidelines, it has little direct expertise in tourism.

Given the importance of a high-functioning tourism economy to the state's economic well-being, this report strongly recommends that oversight of Hawaiʻi tourism be placed at the highest level of state government. Steps to curtail HTA's funding and authority over the years are hobbling the potential of the agency charged with managing a vital state economy. Rather than continue subduing the authority of tourism oversight, the State will be far better served by restructuring its tourism agency into an effective, efficient, trustworthy, and responsive entity that is empowered to lead Hawaiʻi's most significant economic driver into productive new directions.

This recommendation also comes with a caution. Many concerns have been raised about the importance of addressing impacts of tourism across the islands. Some would prefer to shrink the state's tourism economy rather than see it grow. Other major concerns center on expectations for a state tourism agency to demonstrate accountability and operate transparently. Many of those who support stronger DBEDT oversight, including some legislators, believe DBEDT will hold the tourism agency strictly accountable. For any new system of tourism governance to succeed over the long term, these concerns must be recognized and trust should be built in productive ways.

Either of the following two options for restructuring state tourism governance would position Hawaiʻi's state tourism entity to lead far more effectively than today. Either option can be structured to fulfill the role of a Destination Stewardship Organization. These two possibilities and others have been explored with legislators, county officials, and dozens of tourism stakeholders, including HTA Board Members and staff. The Stakeholder Survey conducted for this study showed far more support for a nonprofit structure (35% approval) than for a government agency (18%) but a larger share of respondents (39%) was neutral. In interviews and workshops, concerns often were raised about whether a nonprofit would be taken seriously by other government organizations, whether at the state or county level. If Hawaiʻi moves ahead with a nonprofit tourism agency structure, it will be necessary to address this concern. As noted elsewhere, bigger risks lie in inaction. The recommended option is to transition Hawaiʻi tourism governance to a state-funded nonprofit corporation.

THE NONPROFIT OPTION

Like a state agency, a nonprofit state tourism structure can be guided by enabling legislation and provided with state funding support. Unlike a state agency, however, a nonprofit can operate day to day with much greater independence and flexibility to respond to new challenges and opportunities. Leadership tends to be more stable and can be structured so that it is not subject to change with each new administration. Additionally, a nonprofit can be authorized to generate additional funding support from memberships, fees it earns on its services, donations, and cooperative marketing programs.

A Hawai‘i nonprofit can take inspiration from the structures of the three best-funded state/territory tourism organizations in the U.S. — Visit California, VISIT FLORIDA, and Discover Puerto Rico. All three are nonprofits authorized by statute and tied to government oversight. All three operate highly respected, comprehensive tourism programs that inspire widespread trust, support, and partnership. Each is overseen by an appointed board that provides high-level policy oversight and approves a periodic strategic plan and marketing plans. Each has a CEO with a long tenure, who is widely recognized as the leader of the state's tourism initiative. However, there is one key difference between these structures and the one proposed for Hawai‘i. The chief imperative of the other three U.S. nonprofits is to market and increase visitation. The experience of these DMOs, however, also shows that nonprofits can be structured in a variety of ways for exemplary outcomes.

A non-profit organizational structure holds considerable opportunity for Hawai‘i tourism, especially if the oversight is centered within the highest levels of state government, as described in RECOMMENDATION 2. To achieve this standing, a nonprofit DSO should be funded through the Governor's Office and placed under the oversight of the Governor's Stewardship Liaison.

In some ways, establishing a nonprofit governance organization can create stronger oversight. Nonprofits must comply not only with state but with federal regulations and law. Nonprofits are required to adhere to their mission to avoid "piercing the corporate veil" and losing their nonprofit status.

Nonprofits that receive public funds are subject to the same "sunshine laws" as government entities, meaning their meetings must be open, except under a handful of circumstances, and minutes are public. A nonprofit's finances are an open book, and solicitations and contracts can be made public as well. These requirements allow for continued and necessary transparency, while offering the potential for an entity to operate more independently and in a less politicized environment.

THE CABINET-LEVEL OPTION

Some stakeholders expressed support for placing state governance of tourism under a Cabinet-level department reporting directly to the Administration. About a dozen U.S. states have Cabinet-level tourism offices, all led by a gubernatorial appointee. Oftentimes, the position is seen as a political plum. Typically, Cabinet-level leaders are replaced during a new administration, although some in U.S. tourism offices have served multiple governors. As a member of the Cabinet, they often have the governor's ear. They also have opportunities to convene collaborations with other Cabinet-level appointees to serve the governor's priorities. But as administrations change and new tourism leaders are named, priorities and strategies may be revamped to serve a new agenda.

Governor Josh Green's Cabinet currently includes 18 State departments, and lawmakers have been weighing the value of creating a new Department of Environmental Protection to take on some of the duties now assigned to the Department of Health. Even if that transition should come to pass, the Constitution of the State of Hawai‘i would allow for creation of yet another Cabinet-level department.

A NEW AGENCY REQUIRES A NEW NAME

Discussions in April Ideation Sessions, summarized in APPENDIX G, yielded a widespread consensus that oversight of Hawai‘i tourism should reside at the highest levels of state government. Though the nonprofit structure raised many questions, many participants preferred it to a Cabinet-level structure, which was seen as being more subject to politics.

There was agreement that a new state tourism governance structure would require a new name. Ideas proposed for a Cabinet-level agency included the Department of Aloha or the Department of Community Happiness as well as the more straightforward Department of Destination Stewardship. The naming of a nonprofit requires an inspiring approach. Hawai‘i tourism stakeholders may question the intent of a name such as "Visit Hawai‘i" or "Travel Hawai‘i." Other common monikers — such as "Explore" or "Discover" — may be more palatable. However, a name that conjures Hawaiian values, such as "Mālama Hawai‘i", may resonate with both visitors and residents.

RECOMMENDATION 4

STRUCTURE A PRODUCTIVE RELATIONSHIP BETWEEN THE DSO AND HVCB.

One of the most important and obvious ways the new DSO can restore trust and build "a sense of kinship" around stewarding tourism is by repairing a long-standing and growing rift between the HTA and the nonprofit Hawaiʻi Visitors and Convention Bureau (HVCB).

The stakes for the success of Hawaiʻi tourism are too high for the state's two leading tourism brand organizations not to be working in tandem.

As described in the companion situation analysis to this report, HTA has been breaking apart the components of HVCB's once-integrated marketing strategy, especially since the Ige Administration. In some cases, HTA has parceled out the components to other entities, including Kilohana, a new division of the Council for Native Hawaiian Advancement, which recently acquired marketing expertise. HTA also has been unwinding its past relationship with HVCB by creating separate contracts for various activities, including U.S. marketing, MCI Global (meetings and conventions), the Island Chapters, and global brand resources, which includes GoHawaii.com. These separate contracts could make it easier for HTA to parcel out this work to other vendors in the future, which could fragment Hawaiʻi's brand and marketing strategy even further. HTA shifted oversight of its international contracts from HVCB many years ago and has overseen those contracts in-house ever since. All of these contracts, including those for the six companies representing Hawaiʻi in targeted global markets, operate independently under the oversight of individual HTA brand managers who monitor their deliverables. Currently, HTA has no Chief Brand Officer.

While intended to increase HTA's oversight, these actions unfortunately have fragmented not only messages but lines of authority and industry loyalties. It also has fed a widespread perception that the HTA and HVCB organizations duplicate each other's efforts. Many stakeholders don't have a clear understanding of the difference between the two. This lies at the root of much criticism aimed at the HTA. Many state officials and industry stakeholders interviewed for this study see HVCB as far more expert in marketing than HTA and regard HTA's approach to managing contracts as inefficient. Several pointed out that HTA was created in part to funnel a reliable stream of funding to HVCB and to lead Hawaiʻi tourism strategy, rather than to manage marketing.

One consequence of that arrangement has been that HVCB, rather than HTA, has been the entity that has built stronger and more trusted relationships with Hawaiʻi's key tourism industry partners. HTA's more recent efforts to take over from HVCB appear to have undermined its support from these key stakeholders even further. More than one said that HTA should leave marketing to HVCB and destination management to Kilohana. To secure future funding support — especially through a system of industry-imposed assessments like Visit California's — it will be vital for the new DSO to have the full faith and support of Hawaiʻi's tourism industry. Another major consequence of this rupture is the fragmentation of Hawaiʻi's marketing message. One example: Pre-arrival visitor messaging is managed by HVCB, and post-arrival messaging by Kilohana. Some of the DMAP initiatives have involved development of island-based visitor messaging. All of this has led to an inconsistent and ultimately less memorable message for visitors and a real challenge for measuring outcomes.

As a new DSO establishes its leadership position, it will be vital to set this situation right. Again, to build trust and credibility, it will be critical to create a high-functioning structure bringing top-level expertise to all aspects of destination stewardship. This is also the best way to make sure that promotion supports stewardship priorities. Though HTA's budget has shifted away from marketing toward destination management in recent years, marketing still represents about half of the annual allocation and will remain an important tool for stewardship into the future.

There are multiple paths to achieving this outcome but the strongly recommended approach is for HVCB to merge with the new nonprofit DSO as it is being formed, and for HVCB to become the organization's marketing arm. As part of this, the new DSO would bring oversight of all of Hawaiʻi's marketing components under the stewardship of a Chief Brand Officer and an expert staff. As in the past, the agency would contract with vendors for specialized expertise, to secure top-notch creative services, develop effective media and brand strategy, secure PR placements in top travel and lifestyle media outlets, manage Global MCI, and create an overarching strategy for international markets. This is a path to creating not only a far more effective, integrated promotional effort for Hawaiʻi but to ensure that brand and marketing are integrated with stewardship goals. It is also a path for the new DSO to build strong partnerships with key industry partners and trust across the islands for activities that are essential to the vitality of Hawaiʻi's economy.

For HVCB, this can be seen as a natural progression of how it has marketed Hawai'i under a succession of structures since the early 1900s. For all, this merger can be seen as a way to unite all of the state's key tourism stakeholders around a shared mission of building a strong and resilient visitor economy that delivers benefits across the board. The pros of a merger are obvious. A merger would clear the way for the new nonprofit to reassemble the many components of Hawai'i's current marketing strategy back into an integrated whole that can carry the Hawai'i brand to market with far more impact and consistency. It also provides the best opportunity for the nonprofit to integrate marketing and brand strategy with destination development strategy to achieve its overall vision for destination stewardship. This thoroughly integrated approach also will be far better equipped to satisfy legislators' keen interest in seeing measurable outcomes from state investment.

In the view of this study, a well-intentioned merger is the best hope for moving beyond an atmosphere of divided loyalties. By starting fresh and uniting all of the components of Hawai'i tourism with a call for destination stewardship, the new nonprofit can build from a position of united purpose. HVCB can bring valued assets to this partnership. In addition to trusted marketing expertise, strong industry support, and its network of Island Chapters, HVCB can equip the new nonprofit with established management systems, including payroll and employee benefit systems. Merger discussions also could consider ways of tapping HVCB Board expertise for the new State Destination Stewardship Council or a new DSO Brand Advisory Committee. It also will be important to consider how to transition cooperative marketing efforts to serve a broader audience of members and stakeholders.

OTHER POSSIBILITIES

Another possibility is to establish a formal partnership between the new state nonprofit and HVCB, creating distinct roles for each to avoid future fragmentation of efforts. This could potentially be structured through a Memorandum of Agreement recognizing HVCB as the DSO's official marketing partner over a long term, perhaps for a 20-year period. Provisions could include giving the state DSO a voice in selection of HVCB's marketing contractors, input into integrated campaign initiatives, and ongoing collaboration to support the state DSO's stewardship initiatives. Under this model, the state DSO would focus primarily on destination development.

The global benchmark study of Ireland developed for this report shows how this could work. As the Good Friday Agreement brought "the Troubles" to an end, Tourism Ireland became recognized as one of the 12 "All of Ireland" North-South Implementation Bodies. It was tasked not only with promoting Ireland to world travelers but with creating unity among myriad organizations focused on developing tourism. Ultimately, Fáilte Ireland emerged as the linchpin, amalgamating a national board, regional tourism authorities, and national hospitality training centers into a cohesive force for progress. Tourism Ireland and Fáilte Ireland assumed their new roles with clarity and purpose. Tourism Ireland leads international promotion while Fáilte Ireland leads tourism development. Each entity complements the other in an "adult relationship" forged through ongoing dialogue, collaboration, and mutual respect.

Another nation with two tourism organizations — Iceland — provides a different perspective. Promote Iceland leads international marketing and communications to stimulate travel. The Icelandic Tourism Board, which operates as an independent authority under a Minister of Tourism, Industries and Innovation, focuses on destination management and development. This encompasses quality standards, preservation efforts, tourism planning, data analytics, and regional management plans. While the two organizations don't have a structure for collaboration, each independently supports a strong national brand. See **APPENDIX C** of The Governance With Aloha Situational Analysis for further insights into these two national structures.

AN ASSIGNMENT FOR THE BLUE RIBBON COMMISSION

Regardless of how the new nonprofit and HVCB are linked in the future, it will be vital for the two tourism organizations to have a productive working relationship. Ultimately, this future relationship may be a task for the Blue Ribbon Commission to resolve. See **RECOMMENDATION 11.**

RECOMMENDATION 5

CREATE A HAWAIʻI DESTINATION STEWARDSHIP COUNCIL TO PROVIDE STRATEGIC OVERSIGHT.

This study recommends evolving the current concept for a governing board into a model taking root in places that are seeking to incorporate more voices into decision-making about tourism. By creating a statewide destination stewardship council as its tourism oversight body, Hawaiʻi also would be signaling an intention to manage its visitor economy in a more holistic way, with care and attention for the consequences and possibilities of tourism.

The way tourism is managed under a destination stewardship model is significantly different from how the Hawaiʻi Tourism Authority Board was structured in the late 1990s. Its first 12 appointees included the state's top private sector tourism movers and shakers, named to lead the charge on re-energizing the State economy by marketing Hawaiʻi to the world. Over the years, with term limits and revisions to the statute, the board makeup has evolved significantly. While all 12 members are still gubernatorial appointees, only six are required to have expertise in tourism — whether in accommodations, transportation, retail, entertainment, or attractions. At least one is required to have knowledge, experience and expertise in Hawaiian cultural practices, and there should be representation from each county. HTA's overseer, the executive director of DBEDT, is an ex officio member. The two top legislative leaders can nominate three potential appointees, and the governor chooses one appointee from each of their lists. Members serve four-year terms and a maximum of eight years.

While HRS 201B describes the HTA Board simply as "a policy-making board of directors," the board today takes an active role in managing the authority's operations. The statute assigns only one specific responsibility to the board: appointing and overseeing the HTA's president and CEO. However, the board also now approves the hiring of other HTA personnel. This past spring, the board's well-connected chair led negotiations for HTA's legislative strategy, delivering the agency's first legislative appropriation since 2021 along with support from two top HTA leaders. HRS 201B specifically assigns many of the authority's "powers" to the president and CEO but the responsibility for many important activities — such as developing a long-range strategic plan, marketing the tourism industry, and developing destination management action plans — are left somewhat vague. The "authority" is deemed responsible for these. As defined in the statute: "'Authority' means the Hawaii tourism authority established in section 201B-2."

BROADENING THE SCOPE

Under a stewardship model, the oversight body is structured to enable a holistic and collaborative policy approach to tourism management. Various options can be considered, including a Regenerative Tourism Council. This report, however, recommends structuring the oversight body as a Destination Stewardship Council to align with the DSO's overarching purpose of advancing destination stewardship in Hawaiʻi. This statewide council will represent a diverse range of perspectives, including state government entities; Island Destination Stewardship Councils (See **RECOMMENDATION 6**); nonprofits advancing environmental and social interests; tourism practitioners; and lawmakers. This broadens the focus and responsibility for managing tourism from just one entity to a whole range of entities. Like DSO staff members, these leaders also will agree to be held to high ethical standards and transparent decision-making through a Code of Conduct.

Managing a visitor economy in a place like Hawaiʻi, where tourism affects so many aspects of daily life, requires a "whole-of-governance" approach like the one described above. This recommended structure fosters collaboration first around decision-making and then on action. Not only will the Council's diverse membership bring valuable perspectives and expertise to destination stewardship, many will have the power and resources to drive action.

This is precisely why it is so important to diversify the representation as well as authority for appointments to the council. It remains vital, of course, for the governor to have a role in naming members and for other elected leaders to have a say as well. Hawaiʻi's tourism industry must be well-represented, and key state and island partners also must have a place at the table.

A FOCUS ON STRATEGY AND POLICY-MAKING

The main role of this widely representative oversight body will be to guide stewardship strategy and policy-making. Apart from naming a president and CEO, its main responsibilities will be to approve and then monitor progress on the DSO's major planning initiatives. These will include a statewide strategic plan, an annual (and potentially a multi-year) budget, and an annual strategic tourism stewardship plan. The DSO also will look to its council for guidance and advice on setting policy and priorities. As advocates for destination stewardship, council members also can have a role in supporting the DSO's initiatives, clearing roadblocks to implementation of DMAP priorities, and encouraging adoption of destination stewardship strategies and policies, especially among their own constituencies.

To play a more active role, Council Members can be given specific roles and responsibilities. As a new system of tourism governance is being devised, it will be important to consider identifying specific work groups or committees giving members ways of sharing expertise to advance stewardship priorities. One committee, for example, could be tasked with recommending approval of annual grants to fund annual implementation plans for island destination management action plans. Council members also could play an important role in communicating a more balanced view of the outcomes of tourism. As shown in the stakeholder survey, tourism — and consequently the HTA — catches the blame for many things that go wrong in Hawaiʻi. To safeguard the state's biggest economic driver, not only can council members help improve impacts of tourism but increase understanding of this vital economic force.

EFFECTIVE OVERSIGHT

To sum up, a destination stewardship council is recommended to include members nominated by state officials, Island destination stewardship organizations, nonprofits, the visitor industry, and legislators. By including legislators, the council will have a direct route to increasing lawmakers' understanding of its work and what Hawaiʻi's visitor economy requires to thrive. Ex officio members will include leaders of state agencies with missions intersecting the health of the tourism economy. Other considerations to create balanced decision-making should include:

- A balance between representatives from the visitor sector and the host communities.
- A balance between those appointed by the governor and others.
- A balance between state and island representatives.
- Representation from persons with experience and expertise in Hawaiian cultural practices as well as from Hawaiʻi's many other cultures.

While a larger governing body can be more representative, it also is important to structure ways for it to operate effectively and be able to muster quorums for attendance. To this end, the study recommends a maximum of 19 voting members plus six non-voting ex officio members representing state entities with a stake in tourism. Among the 19 voting members, four are proposed to be legislators. Quorums for votes will be based on the presence of at least half of the members who are neither legislators nor ex officio members. This provision recognizes that lawmakers are not always available to attend other meetings, especially during pivotal times of the legislative session.

The recommended structure for a policy-making Destination Stewardship Council includes the following:

(1) The members shall be appointed by the governor, except as provided otherwise by this section;

(2) Voting members shall include:

A. The elected chairs of Island Destination Stewardship Councils formed to develop county Destination Management Action Plans and prioritize actions for implementation.

B. At least eight members with direct experience and expertise in the business of accommodations, tourism-related transportation, retail, entertainment, or attractions. The governor shall select appointees from nominations submitted by statewide associations representing these industry sectors and shall strive to achieve a balance of representation from the sectors and from the four counties;

C. A member representing a nonprofit organization engaged in advocacy for the environment.

D. A member representing a nonprofit organization engaged in advocacy for social improvements.

E. At least one member must have knowledge, experience, and expertise in Hawaiian cultural practices.

F. Two state senators appointed by the President of the Senate.

G. Two state representatives appointed by the Speaker of the House of Representatives.

(3) The membership also shall include six ex officio members representing state government agencies. Ex officio members may contribute to policy and strategy discussions and serve on council working groups and committees. Ex officio members shall include:

A. The Stewardship Liaison in the Office of Governor, or high-level designee.

B. The Director of the Department of Agriculture, or high-level designee.

C. The Director of the Department of Business and Economic Development, or high-level designee.

D. The Director of the Department of Land and Natural Resources, or high-level designee.

E. The Director of the Department of Transportation, or high-level designee.

F. The Executive Director of the State Foundation on Culture and the Arts, or high-level designee.

Further specifics are provided in **RECOMMENDATION 10.**

RECOMMENDATION 6

ESTABLISH ISLAND DESTINATION STEWARDSHIP COUNCILS TO EMPOWER MEANINGFUL COLLABORATION BETWEEN THE STATE AND ISLANDS.

Effective destination stewardship requires engaging local voices in identifying priorities and identifying resources to create solutions.

HTA's innovative initiative to develop Destination Stewardship Action Plans (DMAPs) in 2021 was a good start in this direction. But many who participated on DMAP Steering Committees were frustrated at times by a lack of action and ownership. At times, this was because solutions needed support from government entities that weren't engaged in the process. Other times, progress halted due to a hold on funding or lack of alignment with HTA over the best approach. SB3364 is attempting to address this frustration by requiring HTA to implement the DMAPs. Unfortunately, the legislation provides no additional funding or authority for HTA to get this job done.

CREATING SHARED RESPONSIBILITY AND OWNERSHIP

Answers can be found by empowering destination stewardship at both the state and local level. At HTA's request, its FY25 budget will include funding to employ five island-based destination managers to guide development and implementation of the DMAPs. (In the past, HTA has managed this work through four contractors employed by the Hawai'i Visitors and Convention Bureau (HVCB) and housed in the Island Chapters' offices. Under HTA's supervision, these contractual destination managers worked closely with local steering committees to develop the DMAPs with support from professional planning consultants. HTA's FY25 budget includes funding for a new round of DMAPs. It is likely that DMAP steering committees will be reconstituted to provide local input, but under the current structure, the responsibility for implementation rests entirely on HTA.

Best practices for destination management around the world — and even in Hawai'i — show that destination management strategies are far more likely to find success when there is shared responsibility at the state and local level. Kaua'i's famed Hā'ena Project came about in large part because an influential state legislator — Rep. Nadine Nakamura, now House Majority Leader — was able to empower local efforts by advocating to resolve roadblocks at the state level. But as she noted in an interview for this study, few projects have access to that kind of advocacy. As a Kaua'i resident, she also personally led the project. The Hā'ena Project offers a compelling example of why it is essential to institutionalize advocacy for destination management at both the state and local level. **As a single entity, HTA has limited ability to require or inspire other organizations to act on its priorities. Destination management requires an army of advocates.**

As detailed in **RECOMMENDATION 5**, this study recommends assembling a broad-based Hawai'i Destination Stewardship Council, composed of people with influence and authority to guide state-level strategy and ensure that the DSO can act on its mission. The question then arises: What should be the local counterpart to this state organization?

IDENTIFYING A LOCAL COUNTERPART

In other states or places, local or regional Destination Marketing (or Management) Organizations (DMOs), often are effective local partners for destination management initiatives. But Hawai'i tourism governance, like so many other aspects of State governance, is highly concentrated in a single state agency. Local DMOs do not exist in Hawai'i. In the past, island visitor bureaus filled this function, and some had hefty budgets to promote travel to their islands under the oversight of their boards. But during the early 2000s, each island visitor bureau joined HVCB and transitioned into its Island Chapters. HTA moved to contract separately with the Island Chapters in November 2023, but their leadership and staff remain employees of HVCB. The Island Chapters have few resources to act independently of their state funding, and their primary focus is to support the state's domestic and international marketing initiatives.

In other places, DMOs act as local tourism brokers, bringing together a range of stakeholders, including tourism sector businesses, public sector bodies, business associations, regulatory bodies, universities and technical colleges, marketing associations, local NGOs, and media organizations. These DMOs can find success by mobilizing these influential partners to join in coordinated and combined efforts to create valuable outcomes for their tourism economy.

On Kaua'i and potentially other neighbor islands, the county economic development offices may be well-positioned to serve this function. Many already collaborate with community organizations, nonprofits, the business sector, and other government entities to fortify and diversify the economy. The county offices already process revenues and grants, manage roads and public spaces, deploy first responders, and create regulations and initiatives to improve sustainability. All of these areas are important for destination stewardship. The Island of Hawai'i has established a practice that could be a model. The local economic development office has established a feedback loop to connect participants at the county, state, and community levels to find the right balance between different interests, resulting in good practices for the 'āina.

TOWARDS AN ISLAND DESTINATION STEWARDSHIP COUNCIL

To create an effective tourism governance structure at the local level, this study proposes to organize local destination stewardship councils as counterparts to the state destination stewardship council.

These Island Destination Stewardship Councils (DSC) could draw upon the strengths of existing structures, including the established systems of the county office, and particularly the partnerships of the county economic development director. The local visitor bureau and its partnerships with the island tourism sector also will be an important resource to draw upon.

As seen from difficulties in implementing the first DMAPs, it also will be important to include state agencies that are pivotal to implementing destination stewardship strategies. Nonprofits can add important perspectives to the collaborative by including agriculture, academic institutions, and social and cultural organizations. More discussion is required at the local level to identify the best way of constituting these organizations because they will play a pivotal role in destination stewardship. **RECOMMENDATION 5** proposes that the elected chairs of each Island Council serve as a member of the State Council to share highly informed local perspectives. This study also recommends that these Island Councils serve as the local recipients of state grant funding to lead implementation of the top local DMAP priorities every year. PLEASE NOTE: For consistency, the DSO could consider renaming DMAPs as Destination Stewardship Plans (DSAPs) and destination managers as stewardship managers.

GRANTS TO IMPLEMENT DMAP PRIORITIES

The intention is for the Island Councils to work closely with the DSO and the destination managers to develop the multi-year DMAPs — and then take an active role in implementing them. Each year, the Island Councils would be required to approve an annual DMAP plan identifying their top priorities for implementation. In a departure from current practices, however, the Island Council could apply for a grant from the DSO to fund those priorities. Within general guidelines set by the DSO, this structure would provide the Island Council with autonomy, flexibility and the funding to put real solutions into place.

In crafting this grant program, the State Council — or the Blue Ribbon Commission — could be asked to weigh in on whether the state grant should require a local match. Regardless, to use this state-local decision-making structure as an avenue for achieving desired outcomes will require a financial commitment from the state. It is recommended that the Legislature embrace one of the funding mechanisms identified in **RECOMMENDATION 7**, perhaps tapping into the annual growth in TAT revenues, to fund this new destination management grant program.

Another benefit of this process is to surface issues that require an integrated multi-island or even a statewide strategy. The DSO can incorporate these priorities into its annual strategic tourism stewardship plan and seek support from legislators and the Governor's Stewardship Liaison to identify funding for solutions.

LOCAL PERSPECTIVES ON BRAND DEVELOPMENT

Just as it is important for the DSO to have the guidance and engagement of Destination Stewardship Councils at the state and local levels, especially for destination stewardship initiatives, it also is important for the DSO to understand local perspectives for brand development. In collaboration with the DSO's Brand Development team, the Island Chapters can help ensure that the unique attributes, brand, and marketing priorities for each island are reflected in DSO marketing campaigns — in keeping with stewardship principles. The visitor bureaus also can continue to serve as the DSO's frontline ambassadors for Hawaiʻi brand initiatives, arranging and conducting trade and PR FAMs, or carrying out other marketing initiatives. They also will be the chief conduit for these perspectives on the Island Destination Stewardship Councils.

RECOMMENDATION 7

FUND THE DSO WITH A PREDICTABLE SOURCE OF REVENUE.

The ups and downs of HTA funding over the years is a tale that has been frequently told, especially since 2021. To assure the success of a new state tourism governance system, it will be important for the state to provide it with a predictable, growing source of funding to carry out its mission.

As Hawaiʻi's state entity moves to embrace the role of destination steward — overseeing brand and campaign development as well as destination management — it is vital to ensure that the entity is funded to deliver the results state decision-makers expect.

This study highly recommends funding at least three new statewide initiatives to support destination stewardship:

- Establishing the permanent position of Stewardship Liaison. See **RECOMMENDATION 2** for further details.

- Creation of a destination stewardship grant program providing Island Destination Stewardship Councils with annual funding to implement their top destination stewardship priorities. The grant program would be overseen by DSO destination stewardship staff. Each Council will dedicate its grant toward projects identified in an annual plan developed from priorities identified in the Island Councils' multi-year Destination Management Action Plans. See **RECOMMENDATION 6** for further details.

- Development of an annual grant program to support regenerative tourism initiatives, including projects to build the capacity of small businesses to profit from the tourism economy and offset economic leakage.

Given the complexity and range of potential funding mechanisms for a new nonprofit DSO, a selection of possibilities is provided. Each relies on future revenue generation, and would not require diverting existing funds to support a new DSO. Each option builds from a baseline recurring budget of $60 million (excluding the $3 million FY25 appropriation for a digital destination management app).

OPTIONS FOR CONSIDERATION:

- **The optimal option is to re-establish a dedicated funding stream from the TAT to provide predictable, tourism-related funding to support the DSO's brand development and destination management initiatives.** Currently, the HTA's $60 million baseline budget represents approximately 0.73% of the 10.25% state TAT. Directing 0.75% of the state TAT to fund the DSO budget would generate a reliable, growing stream of funding. Based on the state's 2023 TAT revenues, the additional 0.002% would generate nearly $1.7 million in additional funding for grants to implement high-priority DMAP initiatives.

- **Allocate up to 20% of the annual growth in state TAT collections — or a minimum of $5 million annually — to supplement the baseline funding.** The baseline funding would rise year after year from the annual addition of this growth-generated funding. For more insight into this potential funding mechanism, see the Visit Utah benchmark study in **APPENDIX C** of the **Governance With Aloha** Situational Analysis. Projections of income from this revenues source would require development of assumptions of economic impact from more regulation of vacation rentals.

- **To establish a funding mechanism generated from industry-supported fees, pass legislation guaranteeing that the Legislature will roll back the TAT from 10.25% to 9.50% if tourism industry operators vote by a majority to impose a collective 0.75% fee on their own revenues.** (In 2023, a 0.73% fee on lodging taxes alone would have generated approximately $60 million.) A rollback is recommended to enable this funding mechanism because Hawaiʻi already has one of the highest lodging taxes of any U.S. destination, and hoteliers are unlikely to raise it higher. Alternatively, the funding mechanism could be structured like California's to include contribution from other tourism sectors, such as restaurants and retail, attractions and recreation, passenger car rental and transportation, and travel services (other than car rental). This funding mechanism provides an incentive for all to maintain a healthy tourism economy.

As TAT and other tourism revenues rise, both state revenues and the industry-supported fund will grow. An industry-generated funding system, often known as a Tourism Improvement District (TID), creates stability because it requires no legislative appropriation and funds are under the control of the governing body. Typically, the governing body incorporates the sectors that have voted to approve the fees. This funding mechanism requires periodic reauthorization by the parties that fund it. It would be extremely important to hire an expert advisor, such as Civitas, to guide development of a TID.

In 1996, California created a similar system of self-imposed industry assessments, validated every six years in a statewide industry referendum, to fund Visit California. When Visit California's budget took a major hit during the pandemic, the legislature provided one-time funding of $75 million to support the state's battered tourism industry. For additional insight into this potential funding mechanism, see the Visit California benchmark study in **APPENDIX B**.

ORGANIZATIONAL STRUCTURE

RECOMMENDATION 8

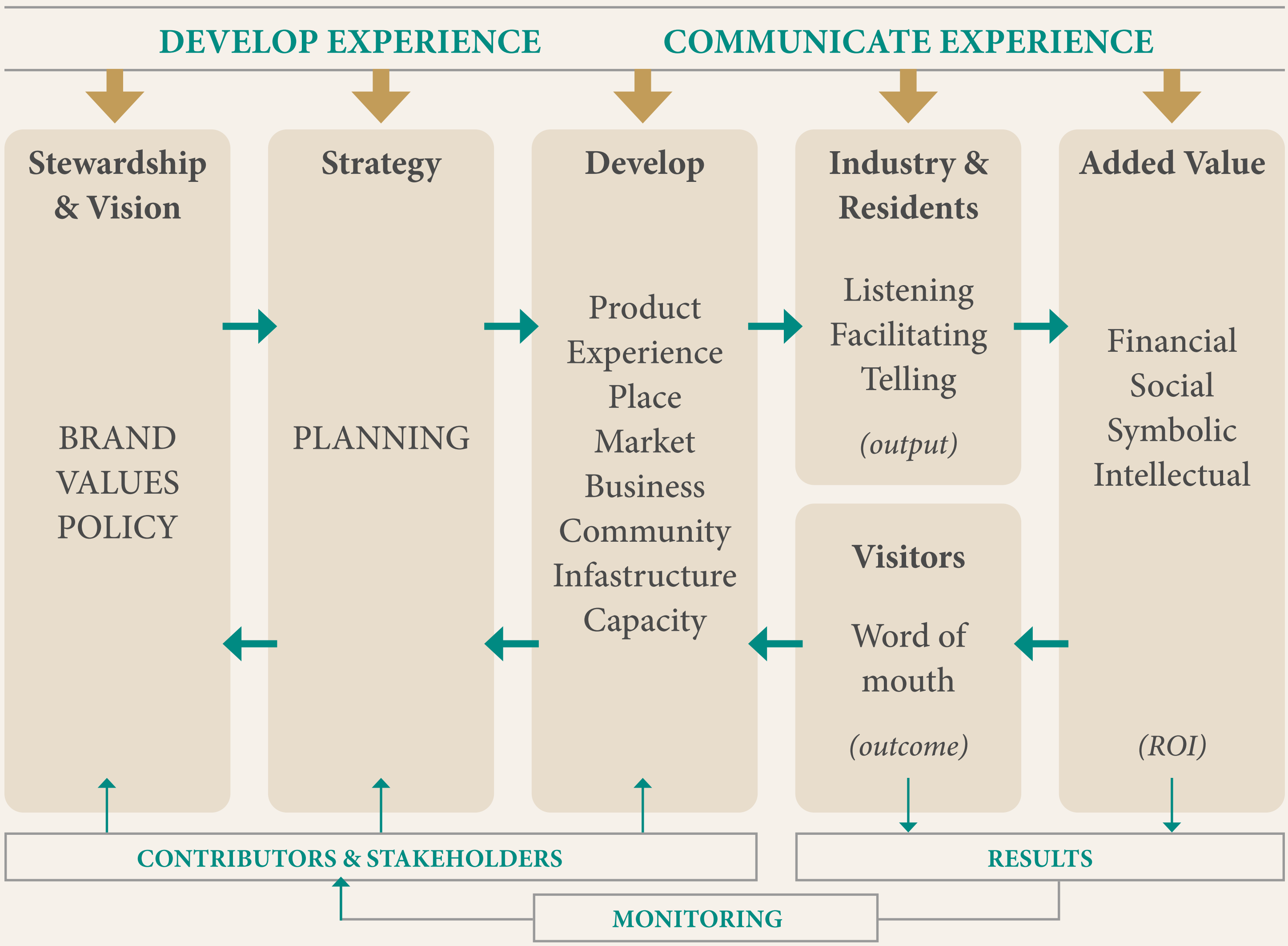
CENTER THE DSO'S ORGANIZATIONAL STRUCTURE ON STEWARDING HAWAIʻI TOURISM.

Destination stewardship is not about what you do but how you do it. It is a process by which local communities, governmental agencies, NGOs, and the tourism industry take a multi- stakeholder approach to maintaining the cultural, environmental, economic, social, and esthetic integrity of their country, state, or city. A smooth transition to an organization centered on destination stewardship will involve careful planning, stakeholder engagement, and iterative adjustments.

Describing and defining effective organizational processes takes a lot of time, requires the involvement of an organization's team, and depends on the context in which the organization will operate. A stewardship organization represents a specific set of activities and the prioritization of those activities. Therefore, it will be helpful to have reference to a process flow to guide activities to structure the organization and its organizational chart.

The direction of the arrows is a key to the diagram above. The typical activities of a stewardship organization include involving stakeholders in processes, considering residents and communities as equal partners, prioritizing research and strategy, ensuring strategic consistency through a long-term vision, and letting development precede and influence the nature of promotion. These activities also include developing in ways that protect nature, culture, and community and valuing returns on investment in forms beyond financial outcomes. This can include "symbolic capital" that can either improve or tatter the reputation of a place. A destination's "symbolic capital" can diminish with every pushback of a resident or a bad experience of a visitor.

DESTINATION STEWARDSHIP PROCESS FLOW



THE KULEANA OF A STEWARDSHIP ORGANIZATION

In stewardship organizations, these responsibilities are always prominently featured.

Destination Stewardship. Collaboration plays a pivotal role In stewardship organizations because typically a cluster of processes must be coordinated. On one hand, a DSO must adapt outwardly by continuously engaging in multi-stakeholder management. On the other hand, a DSO must have strong internal alignment. To address these sometimes opposing requirements, major functions — such as brand development, destination development, and research and planning — are often bundled to ensure that what is developed is also promoted and communicated. Conversely, the task is to make sure that what is promoted or communicated is also sufficiently developed. This is a pivotal role, which must be executed in alignment with the DSO's overall strategy, particularly at the beginning and end of each cycle.

Destination Brand & Promotion. While many may think that brand and promotion has little to do with stewardship, the objectives of a stewardship organization can never be achieved if its actions are not aligned with the brand. As shown in the benchmark studies and the situational analysis, the opposite is true. Many stewardship organizations are excellent marketers. The manner and tone of communication shift, however, as do the targets for communications. A DSO must communicate intensively with residents and stakeholders as well as with visitors.

Destination Development. The beating heart of a stewardship organization is development. Activities to develop and coordinate tourism products and experiences remain important but new priorities also come into play, such as place making, regenerative initiatives, and sensitivity to environmental, social, and cultural impacts. Destination development is too often limited to physical product development, such as infrastructure and experiential trails. A stewardship organization, however, adds emphasis on capacity building, awareness-raising, taking mitigating measures, and education. This can also include training initiatives to improve skills or prepare people for rewarding careers in tourism.

Strategy and research. As with any enterprise, all activities should be anchored in a comprehensive strategy, with priorities identified and measured by data analysis and research and outcomes often inspiring additional research. This continuous cycle of evaluation and adaptation keeps strategies and actions aligned with the organization's goals, and this is especially important for a stewardship organization. Tourism is under pressure everywhere, and having ongoing access to outcomes and insights is essential for validating the value of stewardship strategies and actions.

Operations. Every organization has processes to keep the organization running. These typically include administrative services, human resources, financial management, accounting, compliance, process management, project management, and more. However, a DSO's technical task package must be expanded to satisfy external overseers as well. This requires a strong grasp of business processes and project management and transparent systems combined with an open and diverse organizational culture.

Information and advocacy. Primarily, an externally facing function, this essential component of a DSO ensures that key stakeholders are consulted and kept well-informed of initiatives and outcomes. These key stakeholders include the Governor's office, the Hawai'i State Legislature, county officials, tourism industry partners, residents, media, and of course Destination Stewardship Councils at both the state and the island levels. The work of this function is to ensure broad collaboration and consultation, to communicate the outcomes and value of stewardship initiatives, and to assist in leading response for any crisis impacting the tourism economy.

SHALL AND MAY

HTA's governing statute, HRS 201B, distinguishes between responsibilities that HTA must — or shall — undertake, and powers that the agency may choose to exercise. That distinction also is helpful in identifying the responsibilities and powers of the proposed DSO. As shown in the chart below, many of the responsibilities required of HTA today are also responsibilities for a DSO to tackle. The difference, as stated at the beginning of the recommendation, is not so much in what the agency does, but in how it does it. Within a DSO, each of these responsibilities and powers is executed in a collaborative spirit, with a commitment to addressing shared priorities, and with attention to improving the impacts of tourism. **PLEASE NOTE: Although SB3364 switches the HTA's role in perpetuating Hawaiian culture from a "shall" to a "may," it is recommended that this responsibility be considered a "shall" for a DSO. Recognizing and supporting local cultures, especially indigenous cultures, is an integral component of stewardship.**

THE KULEANA OF A HAWAII STATE TOURISM AGENCY STRUCTURED AS A DSO

SHALL	MAY
Take responsibility to view actions and priorities through a lens of stewardship.	Enter into contracts to promote Hawaiʻi travel domestically and internationally and to build the Hawaiʻi brand in keeping with resident and Hawaiian values.
Develop a multi-year strategic plan to create a shared agenda for tourism across the islands.	Enter into other contracts to support objectives identified in the annual strategic tourism stewardship plan.
Create an annual strategic tourism stewardship plan aimed at achieving a balanced tourism economy, enhancing and sharing the Hawaii brand, implementing best practices for destination management, and identifying regenerative tourism initiatives.	Develop grant programs and other initiatives to fund priorities identified in the annual strategic tourism stewardship plan and destination management action plans.
Collaborate to develop destination management action plans and empower their implementation.	Develop training programs to deliver warm welcomes for visitors of all cultures and backgrounds.
Develop campaigns and initiatives to build and strengthen the global Hawaiʻi brand and attract targeted visitors, ensuring a vibrant tourism economy that aligns with priorities identified in the destination management action plans.	Develop cooperative marketing programs connecting tourism-based businesses and organizations with DSO-led marketing and promotional initiatives.
Coordinate development and promotion to ensure that only places developed for visitation are promoted and that products being developed are promoted.	Provide other organizations with research and insights to assist in developing and implementing tourism and destination stewardship policies.
Create campaigns and initiatives to educate visitors about Hawaiʻi values and expected behaviors and to enlist them as responsible stewards and advocates for Hawaiʻi.	Develop crisis plans and support delivery of crisis relief in places used by visitors and also highly valued by residents.

THE KULEANA OF A HAWAII STATE TOURISM AGENCY STRUCTURED AS A DSO

SHALL	MAY
Build partnerships to identify and implement strategies to improve and mitigate impacts to places that are used by visitors and also highly valued by residents.	Develop strategies to reduce the impact of tourism on climate and environmental resources.
Collaborate to develop and implement regenerative strategies to create and deliver more benefits from tourism. This shall include creating ways for residents to build businesses and livelihoods from participation in the visitor economy.	Develop membership programs and other initiatives to support creation of additional revenue to fund destination stewardship activities.
Support development of products that connect targeted visitors with experiences that reflect and amplify the Hawai‘i brand.	Develop communications initiatives to share outcomes of destination stewardship actions and programs.
Develop research to identify insights into opportunities for stewardship, measure effectiveness of destination management and brand initiatives, and monitor the health of the visitor economy and environment.	Any other actions necessary to carry out the intent of a stewardship organization.
Take actions to perpetuate Hawaiian culture and build awareness and sensitivity for the islands' many cultures.	
Create systems to demonstrate accountability, transparency, and integrity and use State resources efficiently and effectively.	
Develop and resource an organizational structure that is capable of carrying out the responsibilities of a destination stewardship organization.	

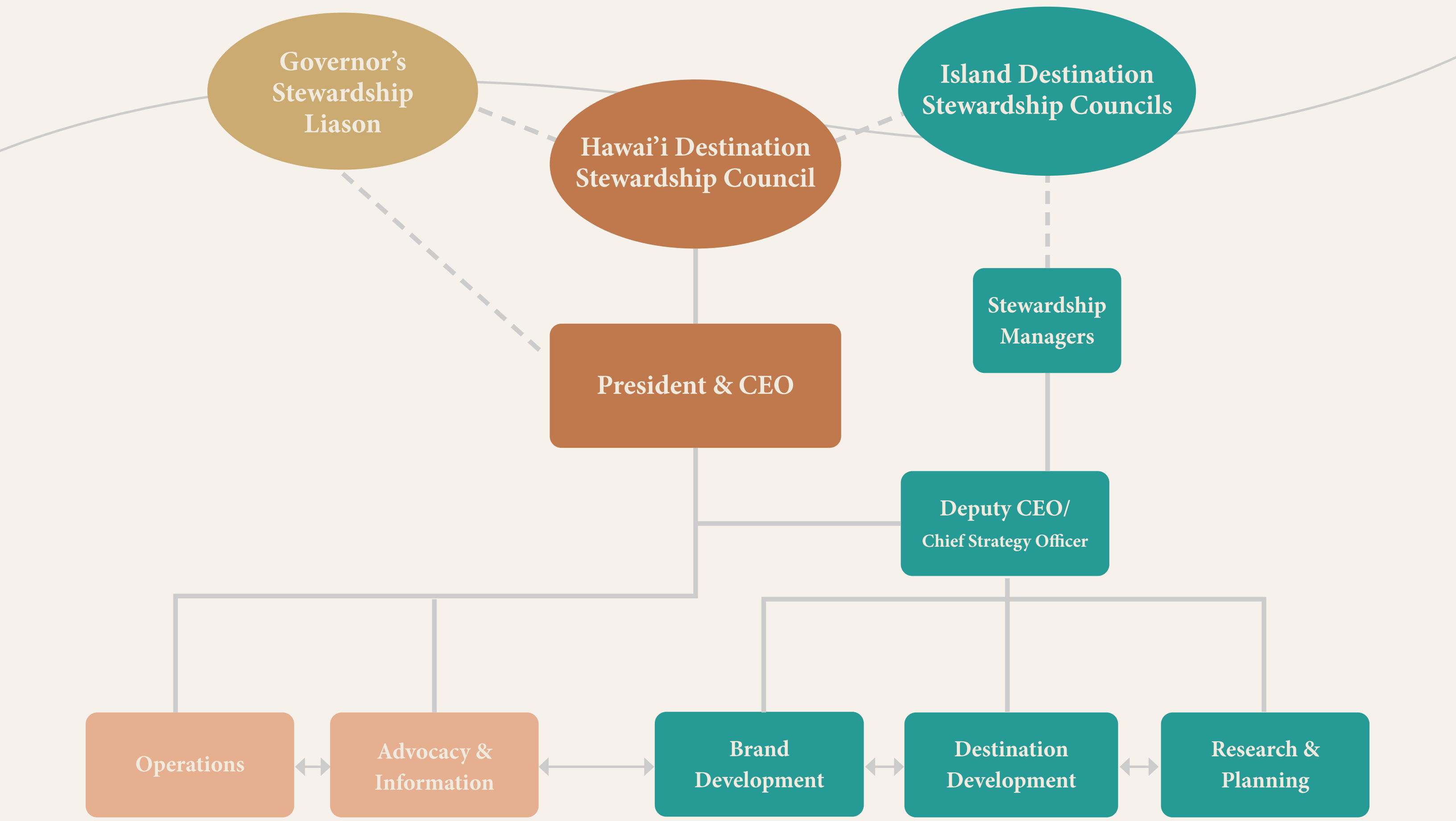
RECOMMENDED ORGANIZATIONAL CHART

The following recommendations for structuring and staffing a Destination Stewardship Organization (DSO) are shared with a caution. An effective organizational chart typically is the end product of a process rather than a starting point. But for a stewardship organization, a good starting point is to build a system of responsible co-management and oversight to ensure that the organization operates effectively and ethically. To accomplish this requires decision-making frameworks, accountability mechanisms, and operational workflows designed to uphold the principles of stewardship.

Stewardship models embody sustainable and responsible destination management, but add the responsible use of shared or "common interest" resources, which provide diminished benefits if each individual or individual organization pursues their own self-interest. To guard against this, a stewardship organization must foster multi-stakeholder management practices and strong communication skills. To inspire trust and credibility both within the organization and outside of it, it also is vital for a stewardship organization to hold itself to high ethical standards and share its actions transparently.

Although a stewardship organization requires a relatively flat structure, such as a network or horizontal organizational chart, we will visualize it as a hybrid between a hierarchical and functional organizational chart, which are the two models most commonly used in the United States.
An organizational chart for a nonprofit DSO could look like this:

DESTINATION STEWARDSHIP GOVERNANCE



KEY FUNCTIONS

For a DSO, destination stewardship is the overarching principle and is integrated into every aspect of the work. Collaboration permeates the organizational structure. The Governor's Stewardship Liaison provides high-level oversight of the DSO and other State agencies engaged in stewardship of Hawai'i resources. The DSO is guided by a representative Hawai'i Destination Stewardship Council and is structured for collaboration with island partner organizations for both brand development and destination development. The major functions of the office, all reporting to a Deputy CEO, are Brand Development, Destination Development and Research & Planning. These three functions work collaboratively so that Brand Development and Destination Development strategies are mutually supportive, always informed by Research & Planning. Two other functions report directly to the CEO — Operations and Information & Advocacy. The role of these functions is to serve the entire organization and support it internally and externally.

KEY ROLES

Some key roles are obvious and required for any high-functioning organization. Others are offered for consideration and further discussion as a DSO takes shape. Please note that the descriptions below pertain to roles, rather than to specific jobs. The roles represent clusters of activities deemed necessary within a stewardship organization. It's possible for one role to be performed by four individuals or for one person to take on two roles. Additionally, we consistently refer to leadership roles as 'lead,' which could encompass anything from director to VP or C-suite. Determining specific titles is beyond the scope of this study but will need to be decided upon during implementation. Please also note that the organizational roles do not include oversight of the Hawaii Convention Center.

CEO & EXECUTIVE TEAM

President and CEO. Is named by a vote of the Hawai'i Destination Stewardship Council. Is empowered to hire other key leaders and staff and manage the DSO in alignment with an approved strategic plan, annual strategic destination stewardship plan, and approved budget. Leads relationships and builds bridges with the Governor, Legislature, Stewardship Liaison, State DSC, state agency partners, industry leaders, county and community leaders. Oversees strategic direction, team performance, administration, resource allocation, vision and company culture. Leads Executive Leadership Team.

Managing Assistant. Provides confidential support to the CEO. Manages the operations of the executive office. Serves as chief point of contact for inquiries from Council Members and coordinates response. Manages and prioritizes CEO calendar, manages Council meetings and business, supports development of CEO communications. Updates and consults with the CEO and ensures optimal information flow from the CEO to the organization and to the council. Key liaison for the CEO to internal and external stakeholders.

Deputy CEO/Chief Strategist. Serves as the President and CEO's right-hand leader, and is an expert in destination stewardship and strategy. Leads ongoing collaboration to ensure that Brand Development is coordinated with Destination Development and vice versa, and that initiatives of both functions are supported by research and planning. Also has direct oversight of the destination managers, including a lead destination manager.

Head of Operations. Provides leadership and oversight of operations, including finances and budget, human resources, contracting and procurement. Manages audits and compliance, reviews financial reports, advises about investments and cost control, oversees information technology.

OPERATIONS ROLES

Head of Finance. Monitors financial performance, ensuring profitability and sustainable growth.
The operations team is responsible for managing budgets, allocating funds, and optimizing resources to ensure financial resources are used efficiently to achieve organizational goals. This role typically also shows up as direct staff of the CEO in smaller or medium-sized organizations but in terms of process, it belongs more here.

Head of Grants Administration. Among the recommendations is empowering the implementation of DMAP priorities through distribution of grants to Island Destination Stewardship Councils for management at the local levels. The grants administrator will work collaboratively with the destination management team to develop grant guidelines and monitor spending.

KEY FUNCTIONS

Head of Human Resources. An independent DSO will require this function. Designs, implements and manages human resource programs and policies, including recruitment, learning and development, performance management, compensation, benefits, engagement, and equal opportunity. Anticipates and plans for long-term human resource needs and trends. Provides guidance and coaching to management and employees. Leads the ongoing development of workplace culture.

Procurement Manager. Ensures that an organization adheres to relevant laws, regulations, and internal policies. They develop and implement compliance programs, conduct regular audits and assessments to identify areas of risk or non-compliance, and work closely with internal stakeholders to address any issues that arise. Additionally, they keep abreast of developments in laws and regulations that may affect the organization's operations and recommend necessary responses to policies and procedures. Their role is crucial in maintaining the organization's integrity, reputation, and legal standing while promoting a culture of ethics and accountability across all levels of the organization.

Contract Manager. When managing contracts with external partners, it is advisable to work in teams, leaving the technical and administrative follow-up to a contract manager and the substantive follow-up to the responsible individuals within the other departments. If an organization operates in a governmental context, the stricter and more labor-intensive the procedures, the more people are needed.

Head of Information and Advocacy. Plays a crucial role in driving trust by sharing outcomes and impacts of stewardship initiatives and collaborations. As this is critical to the success of an intensive multi-stakeholder organization, a close connection with the CEO is necessary. Also develops and tracks legislation, policy initiatives, and related communication strategies. Raises awareness of stewardship and the value for Hawaii's residents, advocates on behalf of the industry, and builds coalitions to support advocacy goals. Coordinates with policy makers and the media, oversees public affairs and communications.

INFORMATION AND ADVOCACY ROLES

Legislative Affairs. Develops and tracks legislation, policy initiatives, and related communication strategies. Raises awareness of stewardship and the value for Hawaii's residents, advocates on behalf of the industry, and builds coalitions to support advocacy goals. Coordinates with policy makers and the media, oversees public affairs and communications.

Communications Manager. Writes, edits and oversees all internal and external communications for the organization to ensure messaging is consistent and engaging. Produces talking points and news releases. Maintains strong relationships with Hawaiʻi media. Serves as the organization's chief spokesperson. Coordinates media interviews with other members of the organization. Leads management of website content in collaboration with other DSO leaders. Manages workflow across communication platforms, including website, digital newsletters and social media. Edits and publishes content that supports overall editorial goals ensuring accuracy and timeliness. May require more than one employee.

UNDER LEADERSHIP OF DEPUTY CEO

STEWARDSHIP MANAGERS

Lead Stewardship Manager. Reporting to the Deputy CEO, provides supervision and guidance for destination managers to coordinate destination management strategy and lead strategies involving multiple islands. Plays a key role in development of the annual strategic destination stewardship plan. Also may serve as destination manager for one island.

Destination Stewardship Managers. Serve as the direct liaison with the islands and the Island Destination Stewardship Councils. Lead and manage the development and implementation of the Destination Management Action Plans. Also engage in development of community-based destination development services to support communities with sustainable tourism planning, placemaking and development. They advocate for solutions, detect new opportunities and address challenges related to overcrowded places, strained infrastructure, and other tourism-related issues. They collaborate with local stakeholders to find solutions that benefit both residents and visitors. Destination managers strive to protect Hawaii's natural and cultural assets.

KEY FUNCTIONS

BRAND DEVELOPMENT ROLES

Chief Brand Officer. Leads and manages strategy and oversees execution of marketing campaigns, projects, and programs. Oversees creative agency work for all campaigns and ensures consistent application of brand guidelines across communication channels. Provides leadership and direct management of related staff. Supports marketing partnerships and sponsorships and integrates into marketing initiatives.

International Lead. Leads and manages international strategy, monitors international research, attends international trade events, identifies allocation of resources among target markets, manages contracts with in-country representatives. Manages campaigns and strategies for international promotion.

MCI Lead. Leads and manages international and domestic outreach for meetings, conventions, and incentives travel, especially for the Hawai‘i Convention Center, in ways that are consistent with the Hawai‘i brand and stewardship. Oversees sales teams. Manages MeetHawaii.com.

Sponsorship manager. Leads analysis and review of opportunities to advance the Hawai‘i brand through attraction or development of events consistent with the organization's stewardship agenda.

Culture manager. Expert in Hawaiian culture and knowledgeable of the many cultures represented in Hawai‘i. Provides oversight and input into cultural initiatives and messaging. Manages cultural initiatives. Works closely with the destination management team. This role could be placed in destination development.

Marketing Manager. Even if the organization outsources, it is important for a stewardship organization to have strong marketing professionals who can substantially influence the briefing of a creative agency, follow-up on campaigns, and lead digital storytelling. A marketing manager monitors trends, acts on market research and insights into consumer behavior, and coordinates with other departments to ensure brand consistency and effectiveness. Their role involves a mix of strategic planning, creative thinking, and analytical skills to drive success and achieve business objectives.

DESTINATION DEVELOPMENT ROLES

Chief Destination Development Officer. Ensures that everything is done through the lens of stewardship, and is therefore responsible for creating alignment between development and brand activities. Works closely with the leadership of brand development as well as strategy and research. Leads development of regenerative tourism strategies. This is a high-level role for someone who is a strong, collaborative manager and also has a clear vision of what stewardship is and what it means for Hawai'i. Oversees destination development contracts.

Lead Destination Development. Creates robust and sustainable tourism products by developing authentic experiences that preserve, enhance and celebrate the local landscape and culture. Implements and manages programs that support community efforts to develop and manage tourism at the local level. Develops partnerships to leverage resources and further collaboration. Of primary focus is the activation of community-based and statewide networks to advance projects that lead experiences such as outdoor recreation, culinary and spiritual tourism, cultural heritage spaces, and supporting management of destinations through activities that reduce congestion and inspire visitor stewardship.

Sustainability Manager. Leads and manages the execution of community-based destination development services to support communities with placemaking, sustainable tourism planning and development. Implements and manages programs that support community efforts to develop and manage tourism at the local level. Develops statewide partnerships to leverage resources and further collaboration. Educates about regenerative practices.

Product Or Experience Manager. Manages programs, projects and related meetings, workshops and events. Leads or coordinates functions for a variety of programming. Coordinates integration of departmental programming into marketing and communication channels. Possible experiences are sports, heritage, outdoor activities, biophilia, spiritual tourism, Hawaiian culture among many others.

A NEEDED POLICY

RECOMMENDATION 9

ELEVATE UNDERSTANDING OF THE VALUE OF HAWAIʻI TOURISM THROUGH GREATER TRANSPARENCY OF TAT ALLOCATIONS AT BOTH THE STATE AND COUNTY LEVELS.

Very likely, one of the reasons that so many Hawaiʻi residents regard tourism with suspicion and distaste is that they have little understanding of how it contributes to their quality of life. It's also extremely difficult for HTA to make a case that tourism contributes richly to the state's well-being.

This is because there is little transparency around the magnitude of state and county revenues generated from tourism or how those revenues are allocated. All of Hawaiʻi's State tax revenues are deposited into one of two Operating Funds. Most flow into the General Fund, while others accrue to Special Funds. The State's four counties also deposit their tourism taxes in their own General Funds.

As described in **APPENDIX F: "THE HAWAIʻI CHALLENGE,"** the viability of a tourism economy is at risk when residents do not experience or understand the value of tourism. If people see only the impacts of tourism and don't understand the benefits, it is only natural for them to protest. In Hawaiʻi, the profound disconnect between the costs of tourism and its benefits threatens the future of tourism as well as the success of any State-level tourism body, no matter how carefully constructed.

There is little question that tourism is Hawaiʻi's chief industry. (U.S. military spending is the state's other principle economic driver.) An analysis of publicly available reports shows:

- Taxes on overnight stays alone poured nearly $1.44 billion into the General Fund during 2023, including $846.3 million in Transient Accommodations Tax and another $589.5 million in General Excise Tax (GET). These two lodging-related revenue streams represent 15% of the state's $9.6 billion General Fund appropriation for FY24.
- The General Fund draws even more revenue from the 4.712% GET on tourism-related sales at restaurants, attractions, shops, and transportation services, including rental cars, which also require a daily $6.50 state motor vehicle surcharge fee. Exact amounts cannot be determined.
- Even more is contributed to the General Fund from income tax on earnings of nearly 200,000 tourism-related jobs, which accounted for about 30% of the state's 637,000 non-agricultural wage and salary jobs at the end of 2023.

All of these tax proceeds are deposited into the General Fund and mingled with other sources of revenue, making it impossible to determine how the state's tourism-generated revenues are spent.

Other places require more accounting of their tax revenues. Schools in Nevada's two largest counties — Clark and Washoe — receive more than $150 million in Transient Lodging Taxes (TLT) to fund their schools. State law also dedicates a share of TLT to support statewide and local tourism promotion. This funding mechanism is delivering about $28.5 million for Travel Nevada to spend in the next fiscal year. It also generates the biggest tourism budget in the U.S. for the Las Vegas Convention and Visitors Authority, which had a $398 million budget for FY23. The TLT also supports economic and community development, local parks and recreation, transportation, and the Las Vegas Stadium Authority.

To shed more light on where TLT dollars go, Travel Nevada funded a report called Nevada's Tourism Ecosystem in 2018 to follow the money. Hawaiʻi's state tourism agency could try a similar study, though determining how the funding is spent under current conditions would be speculative.

More transparency about tourism revenues also could help Hawaiʻi justify the cost of its overnight lodging taxes — currently among the highest of any U.S. destination — to visitors. Other destinations with high room taxes share explanations of ways visitor taxes are funding local priorities to create more goodwill, especially among sustainable travelers interested in supporting local communities.

To safeguard the long-term health of Hawaiʻi's biggest single revenue stream, one of the best actions the Legislature can take is to require and provide disclosure of how tourism taxes are being spent.

LEGISLATIVE OVERSIGHT

RECOMMENDATION 10

EMPOWER THE NEW STATE TOURISM AGENCY TO LEAD.

There are moments in time when inaction leads to consequences that cause people to look back and say, "How did no one see this coming?" Hawai'i may be at such a moment. The state's biggest economic driver – rivaled only by U.S. military spending — is showing signs of weakness. In the wake of the Maui fires, tourism has been falling, not only on Maui but across the islands.

In part, this is because many travelers are convinced that Hawai'i is not ready to welcome them. U.S. inbound international travel continues to lag, especially from the Asian-Pacific markets that are Hawai'i's bread and butter. Many residents don't see the value of tourism, only the negatives. The state's tourism infrastructure, including its airports and convention center, is tired. The consolidated room tax is among the highest of any U.S. destination, apart from Atlanta and Memphis. And the state agency charged with promoting Hawai'i to the world has been battered for years by loss of funding and systematic erosion of its authority. The mainstay of Hawai'i's economy is at risk on many fronts.

Hawai'i legislators have the power to set this right. They face a rare opportunity to place the state's top industry and its troubled system of tourism governance on a far better path for success. By grounding tourism oversight in destination stewardship, placing Hawai'i's tourism agency at the highest levels of state government, and giving island communities more of a say, the Legislature can help restore the relevance of Hawai'i tourism for its people and visitors alike.

RESTRUCTURING IS IN THE PUBLIC INTEREST

In crafting a new statute to reform Hawai'i tourism governance, the Legislature should designate the Hawai'i Tourism Authority (HTA) to lead the transition to the new agency. The enabling statute for a new system of governance should authorize the HTA's president and CEO to file articles of incorporation for a new nonprofit DSO. The filing should make it clear that it is in the public interest to restore the vitality of Hawai'i tourism by establishing a system of tourism governance equipped to lead the state's most important industry toward destination stewardship with independence and flexibility. A statement of intent could read as follows:

"Tourism is Hawaii's biggest export industry and one of its most important economic drivers. In 2023 tourism contributed nearly $21 billion to the State economy, and Transient Accommodations Tax contributed $1.1 billion to state and county budgets. Many more billions in State and county revenues are generated from GET on tourism-related purchases. Additionally, tourism supports approximately 30 percent of Hawaii jobs. Based on this significant contribution to the State economy, it is in the public interest and vital to State and island economies to establish a collaborative system of tourism governance to advance the health of Hawai'i's visitor economy. Based on the recommendations of a governance study commissioned in 2024 by the Hawai'i Tourism Authority, creating a nonprofit destination stewardship organization will address risks to the State's global brand and advance destination management, help to perpetuate Hawaiian culture, and foster regenerative tourism through ongoing collaboration with state, local, and tourism industry partners."

The statute should authorize HTA to continue managing Hawai'i tourism until the new structure becomes operational. At that point, an orderly transition will be set into motion to transfer HTA's responsibilities to the new entity. This process is more fully described in **RECOMMENDATION 11.**

In crafting the statute, the Legislature is encouraged to take note of how three other U.S. governing bodies — the legislatures of California, Florida and Puerto Rico — authorized their nonprofit tourism entities. All three legislatures described the responsibilities of their tourism nonprofits in broad terms to allow for adaptation and innovation over the years. Each of the three statutes also provides mechanisms to ensure transparency and integrity. These statutes, by and large, have stood the test of time and yielded strong, independent tourism structures that are widely recognized for their professional expertise and strong results. Each nonprofit is the undisputed leader of tourism in their jurisdictions. They also have grown into the three best-funded tourism entities in the U.S. at the state or territory level.

Statutes for nonprofits in California, Florida, and Puerto Rico

- California and Puerto Rico's statutes directed existing governmental tourism agencies to form nonprofit corporations to lead tourism.
- California's statute authorized the new nonprofit commission to conduct referenda seeking industry support for imposing assessments on their own revenues to fund tourism promotion. That approach, which is reauthorized every six years, now provides essential support for Visit California's budget, which rose to $160 million this year.
- Both Visit Florida and Discover Puerto Rico are funded through legislative appropriations.
- All three nonprofits are able to generate other funding, typically through fees for services, donations, membership fees, and cooperative marketing programs.

- Although the California Office of Tourism collects and administers the industry assessments, Visit California has almost complete independence to operate under the oversight of its nonprofit Board of Commissioners. The state's economic development director is empowered to overturn the Board's decisions in a handful of instances. This power has never been exercised.
- Puerto Rico's Legislative Assembly took care to separate the functions of the government tourism office — the Puerto Rico Tourism Company — from Discover Puerto Rico's. The nonprofit was granted independence to market the island to inbound U.S. and international travelers under the oversight of a board that includes gubernatorial and legislative appointees, industry leaders, ex officio state government representatives, and a leading nonprofit.
- Visit Florida operates under the oversight of two agencies that serve as the Florida Legislature's research arm — the Office of Economic and Demographic Research and the Office of Program Policy Analysis and Government Accountability (OPPAGA).
- While Visit California's employees are exempted from state requirements, Florida employees are held to state travel requirements and restrictions on salaries and bonuses. Employees of both Florida and Puerto Rico's DMOs are subject to limits on acceptance of gifts, meals, entertainment and lodging. Discover Puerto Rico was required to develop a [Code of Business Ethics.]
- All three nonprofits are guided by a board that provides high-level oversight of a strategic plan, marketing plans, and finances.
- In Puerto Rico, the board selects the CEO. In Florida, the governor picks the CEO. In California, the board recommends its selection of a CEO for the governor's approval. Puerto Rico's CEO of six years is serving in his third gubernatorial administration. Visit California's long-time CEO has served for more than two decades. Florida's CEO has served about seven years under the same governor.
- None of the boards has authority for hiring employees other than the CEO.
- All three nonprofits are charged by statute to build the economy through marketing and promotion to attract visitors from around the world. All also are required to develop a strategic plan. The details of how to accomplish these actions are left to the expertise of the nonprofit and its board.
- All three statutes spell out requirements for reporting and operating transparently.

Further insight into how these three nonprofits are structured is provided in both **APPENDIX B** and **APPENDIX H**.

KEY STATUTORY PROVISIONS

To shape its new system of tourism governance for long-term success, it will be essential for the Legislature to provide its state tourism entity with flexibility, independence, and stability to adapt and address new challenges or opportunities that arise over the years. The Legislature can achieve this by equipping its new tourism organization with a broad mandate to deliver important outcomes rather than detailing a long list of requirements that can handcuff or overwhelm rather than empower. Many current requirements in HRS 201B read almost like strategies that should be incorporated into plans and budgets rather than embedded in law.

A broad mandate could read like this: "The purpose of the (DSO) is to deliver a thriving tourism economy that addresses local priorities, creates opportunities, and improves Hawaiʻi's unique assets through ongoing collaboration."

Like California, Florida and Puerto Rico, Hawaiʻi can find success in building its statute to last rather than to be revised on a regular basis. New legislative priorities — such as the $3 million designated in HTA's FY2025 budget — can be placed in an appropriation bill for the Governor's office. Rather than embedding a list of "shalls and mays" in law, these concepts can be stated in the articles of incorporation or embedded into the bylaws of the State Destination Stewardship Council. In this way, policies and initiatives can be evolved in a depoliticized environment with the input of a broadly representative range of stakeholders including legislators. See **RECOMMENDATION 8** for a chart identifying "shalls and mays" for a DSO.

OTHER RECOMMENDATIONS INCLUDE:

- Organize the DSO as a 501(c)(6) nonprofit corporation so it can engage in trade and advocacy.
- Exempt the DSO from payment of state taxes on goods and services purchased with its allocation of state funding.
- Clarify that the DSO is the state's official representative for Hawaiʻi tourism.
- Allow the nonprofit to generate additional revenue for its activities through cooperative marketing programs, fees for its services, donations, and membership fees.
- Remove maintenance of the Hawaiʻi Convention Center from the DSO's responsibilities. This task is better left to an agency that has oversight of Hawaiʻi's physical capital. The DSO's responsibility would be to attract meetings and conventions aligned with Hawaiʻi's stewardship ethic.
- Authorize the state Council to hire a president and chief executive officer.
- Ensure that the nonprofit and the Council are subject to the state's sunshine laws.
- Require the DSO to adhere to state procurement practices.
- Clarify that employees of the nonprofit are not state employees and are exempt from state administrative requirements.
- Require Council Members and nonprofit employees to abide by State travel requirements and State ethics requirements.

Draft statutory language for a new DSO is provided in **APPENDIX I.**

A PATH TO TRANSITION

RECOMMENDATION 11

ESTABLISH A BLUE RIBBON COMMISSION FOR HAWAIʻI TOURISM GOVERNANCE.

Because this Governance With Aloha report is a study not a plan, it offers many recommendations, ideas, structures, and options that will require further reflection.

Some may raise questions about whether it is important to implement the full set of recommendations or whether an incremental approach makes sense. Some may want detail of the cost of various initiatives. While the scope of this study did not include a cost assessment, it is possible that new roles within the DSO could be funded by bringing certain duties in house, rather than contracting them out . To create a productive forum for this further discussion, **RECOMMENDATION 11** proposes that Governor Josh Green name a Blue Ribbon Commission for Hawaiʻi Tourism Governance.

Even if the recommendations of this study find ready acceptance, it may take many years — a minimum of two years — for Hawaiʻi to fully transition to the recommended new system of tourism governance. To put this in perspective, it may take two to three months to organize the structure and membership of the Blue Ribbon Commission. The Commission's discussions would have to be fast-tracked to create even a rough framework for a legislative initiative to transition the current system of tourism governance to a new one during the 2025 legislative session. Once the enabling legislation is passed, it would take many more months to establish the required structures and then to transition responsibilities from HTA to a new state tourism entity.

Before legislation is framed or introduced, however, it will be critically important for state decision-makers to test support for the recommendations. Due to the compressed timeline for completing this report, recommendations were drawn from two rounds of workshops, nearly 70 in-depth interviews, and the findings of a statewide Stakeholder Survey. Our consulting team also drew upon benchmark interviews with top U.S. and global tourism leaders, extensive desktop research as well as our own knowledge and our own experience of having operated within tourism governance systems. Had more time been available, it would have been valuable to conduct another series of workshops to test this report's 12 recommendations in public forums or in a follow-up survey. It is recommended that the Blue Ribbon Commission conduct this additional research as soon as practical to guide further decisions, including the drafting of enabling legislation.

A TRANSITION PROCESS

Achieving a shift to an organization aligned around the principles of destination stewardship will require a period of intensive management. Business experts distinguish between adaptive measures, which are incremental and responsive to feedback, and transformational measures, which involve major shifts in structure, governance, performance, and processes. This study calls for transformation, and a Blue Ribbon Commission to guide it. This commission also will require expert resources and an empowered project team to fulfill its responsibilities.

At a minimum, the tasks that lie ahead for the Commission will include:

- Establishing a roadmap for transition to a new system of tourism governance. This will identify the scope of the Commission's responsibilities, needed resources, and a multi-step process to achieving the transition to a new system of governance.
- Testing public interest in adopting the Governance With Aloha recommendations.
- Reassessing the state's vision and objectives for tourism relative to a DSO structure.
- Finalizing concepts for tourism governance structures at the state and county level.
- Defining the role of the Governor's Stewardship Liaison, especially relative to providing oversight of a DSO and its funding.
- Identifying ways to deepen relationships between the state and islands.
- Recommending avenues for funding, a target budget, and allocation of a state appropriation.
- Identifying the main components of a governing statute for introduction in the spring 2025 legislative session.
- Participating in legislative deliberations of the concept.

Upon authorization of a new governance structure, additional tasks would include:

- Guiding processes to establish new governance structures, including the DSO, the Hawaiʻi Destination Stewardship Council, and the Island Destination Stewardship Councils.
- Developing a process map to guide operations for a DSO, identify processes for integrating stewardship into every aspect of the organization, and assign and describe roles within the organization.
- Setting up a reporting structure and determining communication flows.
- Developing a process for recommending appointees of the initial Hawaiʻi Destination Stewardship Council.
- Establishing county committees to develop recommendations for appointees of the initial Island Destination Stewardship Councils.
- Drafting bylaws for consideration by the State and Island Councils.
- Identifying a process for transitioning the HTA Board to a State Destination Stewardship Council.
- Establishing a recommended process for selection of a president and CEO.
- Establishing a plan to transition responsibilities for marketing and promotion and destination management from HTA to the new DSO.
- Presiding over the election of officers at the initial meeting of the Hawaiʻi Destination Stewardship Council.
- Delivering a final report of the Commission's findings, activities, and recommendations.

THE MAKEUP OF THE COMMISSION

A blue-ribbon commission typically is a group of exceptional people appointed to investigate, study or analyze a series of important questions or topics for a government entity. Blue-ribbon commissions generally operate independently of political or government influence and usually have no direct authority of their own. Their value comes from their ability to use their expertise to issue findings or recommendations for decision-makers to act upon.

To represent interests of stakeholders across the islands, a Blue Ribbon Commission on Tourism Governance would be well-served by including representatives of organizations representing social, cultural, environmental, governmental, and economic interests, especially key sectors of Hawaiʻi's visitor economy. These represent the holistic range of interests to be addressed through destination stewardship. It also would be valuable to include independent experts or academics and others with no direct ties to tourism. The naming of a committee representing a range of interests signals a willingness to explore new directions for tourism and sends a positive message to those who may believe their perspective has not been represented in the past.

The chair of the commission must be a leader who understands both the principles of stewardship and economics, who knows how policy and government work, and is regarded as unbiased.

TASKS FOR THE COUNCIL AND ITS PRESIDENT AND CEO

Peter Drucker once said, "Culture eats strategy for breakfast." This highlights the paramount importance of company culture in achieving organizational success. Generating a new culture for a DSO is a critical step that should be undertaken with the active involvement of all employees. It's not just about implementing new practices, it's about embedding these practices into the very fabric of the organization. This is one of the most crucial and often overlooked aspects of managing toward new directions.

Communication is the "golden thread" that runs through the entire practice of leading transition. Identifying, planning, onboarding, and executing an effective transition plan is dependent on good communication. There are psychological and sociological realities inherent in group cultures. Those already involved have established skill sets, knowledge, and experiences. But they also have pecking orders, territory, and corporate customs that need to be addressed.

Resistance is a normal part of transition but it can threaten the success of the entire effort. Most resistance occurs due to a fear of the unknown. It also occurs because there often is a fair amount of risk associated with new ways of doing things. Anticipating and preparing for resistance by arming leadership with tools to manage it will aid in a smooth transition lifecycle.

CREATING CULTURE

THE ESSENTIAL BUILDING BLOCKS

- Define the desired culture.
- Establish leadership commitment.
- Involve all employees.
- Create an Inclusive process.
- Embed cultural values into practices.
- Establish role models.
- Build long-term commitment.
- Create reinforcement mechanisms.

APPENDICES

SITUATIONAL ANALYSIS *(Provided as a companion document)*

Governance with Aloha: A Case for Reinventing Hawaiʻi Tourism Oversight

APPENDIX A: List of Interview Participants

APPENDIX B: Benchmark Case Studies

APPENDIX C: Three Governance Scenarios

APPENDIX D: SMARInsights Stakeholder Survey findings

APPENDIX E: Literature review

FINAL REPORT

Governance With Aloha: A Report and Recommendations for Guiding Destination Stewardship of Hawaiʻi

APPENDIX F: The Hawaiʻi Challenge: A Contextual overview

APPENDIX G: Ideation Session Findings

APPENDIX H: Overview of Three U.S. Nonprofit Operating Structures

APPENDIX I: Draft Statutory Language

THE HAWAIʻI CHALLENGE: A Contextual Overview

To understand the full contextual overview for this study, it will be valuable to refer to **Governance With Aloha: A Case for Reinventing Hawaiʻi Tourism Oversight.** This 36-page situational analysis includes global trends, benchmarks with other destinations, reports on in-depth interviews with more than 60 stakeholders and staff, results of the Stakeholder Survey, and more. The full situational analysis is provided in the Appendices of this report.

Below is a more condensed scan of the challenge Hawaiʻi faces as a destination and that the HTA faces as an organization.

INTRODUCTION

The Hawaiʻi Challenge will be encountered by any entity, regardless of structure, that is charged with managing tourism in Hawaii at the state level.

Any destination organization will lose relevance

- if they are not able to adjust to a changing visitor and industry landscape
- if they cannot secure funding to support a long-term strategic focus
- if residents cannot understand the value of tourism.

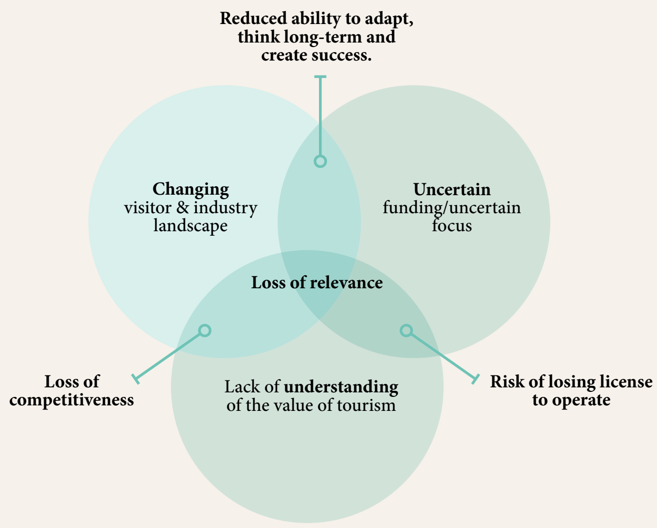
HTA as an organization is blamed for many things that go wrong on the islands, even issues that may have nothing to do with tourism, like traffic jams. Not only HTA but the whole of Hawaiʻi will lose relevance for visitors if the value of tourism is not safeguarded, if people only see the burdens and never see the benefits because they don't know where the money goes. This disconnect between tourism's economic benefits and its social and environmental costs threatens the future of tourism and any state-level tourism body in Hawaii.

If residents no longer welcome visitors as they did in the past, or if resident pushback stays in the media, this will undermine the attractiveness and the competitiveness of Hawaiʻi as a destination. And in that regard, we see already a significant pressure on the competitiveness of Hawaiʻi as a destination today. The prices are very high, the distance you need to travel is long, and with more eco-conscious travelers and business travelers that will play a larger role. Here's where we see also a change needed in the product and experience of Hawaiʻi that you develop around your unique Hawaiian culture, that can be consistently marketed in this way.

But consistent marketing is not evident. Marketing budgets are high when there's a crisis, but are easily reduced again. There's no long term consistency in the messaging. Three different campaigns were fielded within a two month period in spring 2024. New budget restrictions allow little flexibility to adjust to changing environments or a crisis. The current organization struggles to balance short-term goals with the long-term vitality of tourism.

This bigger picture is crucial for contemplation of a future tourism governance system. That's why we'll dive into every aspect of the challenge a bit deeper.

THE HAWAIʻI CHALLENGE



PROCESS

When juxtaposing all findings from the Co-Creation Labs, interviews, Ideation Sessions, surveys, and meetings, it is worthwhile to sift through all personal and operational remarks. What remains is an analytical visualization aimed at illustrating the foremost challenges for any organization endeavoring to manage tourism in Hawaii at the state level. The following is an elaboration of those elements to be considered in the governance recommendations.

Findings

CHANGING VISITOR & INDUSTRY LANDSCAPE

From our expertise and as indicated in our desktop reach, tourism is rapidly evolving on our planet and will undergo significant changes in the coming years. The following are just a few focal points that need to be addressed proactively to remain relevant to visitors in the evolving landscape of supply and demand and changing needs and socio-economic developments. This list is by no means exhaustive:

NEW (WAYS OF THINKING ABOUT) 'MARKETS'

Even Hawai'i stakeholders concerned about the impacts of visitation, including legislators and county leaders, believe it is vital for Hawai'i to stimulate the tourism economy by attracting visitors. But most want HTA to center its marketing on attracting the right visitors at the right times and in the right places and to couple promotional messages with visitor education. And while other world and U.S. destinations are broadening their concept of a high-value traveler to provide greater access to travel, Hawai'i stakeholders seem united in a desire to target high-spending visitors who will contribute most to state and local economies.

To align destination management and brand under an overarching destination stewardship structure, it will be essential to embrace a more nuanced approach to market segmentation. Attracting the right people with the right passion for the experiences you have to offer as a destination is a long-term endeavor and cannot be built overnight. Increasingly across the globe, geographic segmentations such as 'the Japanese market' or 'the Canadian market' are seen as offensive and even somewhat discriminatory, as if all people from the same place would behave in the same way.

The marketing effectiveness research from SMARInsights reveals a psychographic segmentation among the following target groups: Sustainers, Relaxers, Indulgers, and Engagers. The Q4 report showed the Sustainers having the highest travel intention after exposure to the Mālama campaign, which targeted a more environmentally conscious visitor for Hawai'i. Currently, there is no consensus on the ideal target groups, as these vary by sector and by island. The challenge is to determine whether to create a universal matrix that applies to all, or to identify a common intersection.

To deliver the "right visitors" to the "right islands," it will be extremely valuable for the nonprofit to gain deeper insight into the unique qualities and "brand" of each island and to ensure that this positioning also resonates with local residents and stakeholders.

SUSTAINERS	RELAXERS	INDULGERS	ENGAGERS
Voluntourism opportunities	To relax and get away from it all	Many restaurants and different culinary options	To explore new things
The ability to give something back to the destination	Escaping everyday stress and just being able to relax	Diverse selection of amenities such as lots of shopping, attractions and restaurants	Opportunity to experience unique cultural experiences
A destination that practices sustainability	Beautiful scenery	Luxury accommodations and experiences	A destination that cares about its natural and cultural resources
Being able to personally connect with locals at the destination	A safe place	Nightlife and entertainment	
To be outdoors experiencing nature	Beautiful beaches		

Source: Campaign Effectiveness Q4 U.S. Report, SMARInsights, February 2023

FROM WIN-WIN TO WIN-WIN-WIN

From the workshops, focus groups, and interviews, it has become clear that there is a preference for less emphasis on destination marketing and more on destination management, a movement already initiated by HTA and supported by policy. As demonstrated by the global case studies conducted for this report, this shift implies a change in mindset. In embracing destination management, DMOs are transitioning from a WIN-WIN situation, a mutually beneficial transaction between two parties to a WIN-WIN-WIN scenario. In a WIN-WIN, the visitor purchases a service, and the business benefits, but other parties may be left dealing with the impacts. These could include impacts on local population, indigenous culture and language, heritage, fauna, flora, and the balance of nature. In a WIN-WIN-WIN scenario, costs are factored into profits, and reinvestment occurs in education, infrastructure, and accompanying measures ensuring that places remain livable for residents and the destination retains its appeal.

TECHNOLOGY, AI AND VIRTUAL TRAVEL

We are living in one of the most disruptive times ever, and this holds especially true for tourism. Technology provides travelers with tailored virtual assistance to create a more pleasant experience, monitors data points regarding environmental impact, and continuously measures the sentiments and thoughts of residents towards tourism. The integration of language and translation technology in our daily experiences lets us travel to unfamiliar cultures with ease. Meanwhile, virtual travel is increasingly being developed worldwide to combat overtourism, not so much as a substitute but rather to set the right, realistic expectations.

All of these evolutions, of which there are many, must be closely monitored by an organization that is relied upon to share this knowledge with the place it represents. This requires a mindset that encourages innovation, experimentation, and knowledge sharing. Hawaiʻi must consider whether this can be achieved within its current structure, and if so, what tools are available in terms of personnel and resources to provide this essential part of place management. The organization itself will need to reflect on the necessary management tools such as empathetic leadership and a more flat company culture of communication and exchange. Within a strictly hierarchical and compartmentalized organization, this is out of reach, and the future will not take root.

Like marketing, technology can be a very important tool to support destination management. HTA is funded in FY25 to develop a digital app for reservations systems at natural areas and parks across the islands. But real time technology also can be used to indicate busy periods, based on real time booking data for instance, to pulse marketing to attract visitors who can travel at less busy times.

CHANGING TRAVELER BEHAVIOR

"What happened during the pandemic is that my normal playbook went out of the window. It's gone. I had lots of people who would never go to Mexico, but Mexico was open and they can find some pretty ultra luxurious resorts. And the dollar goes 3 to 4 times further there. Hawaiʻi used to be an easy sell, but customer behavior changed," said Danny Genung of Harr Travel in Travel Weekly. The traveler mindset is evolving, and sustainable travel is gaining prominence. Travelers are increasingly aware of the environmental impact of tourism, especially in places with overtourism. The pandemic has accelerated this trend, with more people seeking ways to travel more responsibly and make meaningful contributions to preserving our planet. Sustainable travel encompasses various aspects, including minimizing environmental impact, supporting local communities, and promoting economic development in tourism-affected areas.

According to Expedia and other researchers, Gen Z, known for its social consciousness, is more than likely to embrace sustainable travel. As this generation matures, we can expect them to prioritize eco-friendly choices, seek authentic experiences, and advocate for responsible tourism. This is the visitor of the future.

A statewide agency can prepare for this rising trend by maintaining a very close connection between brand and stewardship, particularly product development. The collaboration around the next generation of DMAPs provide an excellent opportunity if conceived with the right partners and stakeholders at the state and the county level. Today DMAPs have been appreciated by the local communities who have seen it as a way to voice their concerns and interest. Some in the private sector, however, believe the DMAPs could have been structured to be a more strategic instrument for everyone working in tourism.

BRAND

"Lead with what makes you unique and reinforce that message. Hawaii it's not about the size of the pools it's about the beauty of the area and The Aloha spirit" - Ray Snisky, ALG Vacations

A brand is the sum of all stories told about a place. Stories from visitors, but also stories from residents, businesses, and students. In a word-of-mouth economy, it is no longer possible to build a strong reputation solely through good promotion and campaigns; it will ultimately be shaped by the experiences people have with the place as visitors or residents. This not only entails involving residents in branding efforts but recognizing that dissatisfied locals pose the greatest threat to the future reputation of Hawaiʻi. It also requires meticulous expectation management. The "walk your talk" principle is more important than ever. Reflecting on authentic interpretations of Aloha and Hula is therefore essential, as is expressing them in a manner that garners respect. Marketing is more than ever about values. Sustainability and regeneration principles can only have impact if they are integral parts of your reputation. Too often, in organizations, especially in tourism, we see the left hand promoting a destination in a generic way while the right hand claims a different, more sustainable value to certain visitors. Eventually, you will be held accountable for this inconsistency. Brand and stewardship must be inherently linked.

GEOPOLITICAL CHANGES

Whether it's disruptions due to the Covid-19 crisis, an economic recession, deteriorating international relations with certain countries, wars, or emerging markets proving to be competitive, a changing demographic in the United States, air traffic issues or tightening or loosening visa rules, all of these forces are accelerating. More than ever, organizations must be equipped to quickly adapt. A campaign that taps into current events, swiftly adjusting a strategy, or seizing a business opportunity requires an agile organization that is not unnecessarily slowed down by bureaucratic processes. This does not mean that oversight or control over the activities of the tourism organization are abandoned, but it does mean that structures must allow for rapid decision-making and that responsibilities are not spread across too many levels.

UNCERTAIN FUNDING AND UNCERTAIN FOCUS

FUNDING

As this study is concluding, it appears that HTA will have a $60 million budget for FY25, plus $3 million to build an app. The need for a recurrent substantial budget was among the main topics of discussion during all sessions, both in Honolulu and on the islands. Residents and entrepreneurs make no distinction between the various organizations and decision-making levels. There is a sense of both outrage and resignation that risks are being taken with the future of Hawaiʻi. Generally speaking, transparency regarding budget is a very important requirement for a modern DMO. Other places — such as New Zealand and Costa Rica — levy hefty visitor taxes but also inform those visitors and residents as well where those taxes are going. Residents and visitors alike are far more likely to support taxes they know are reinvested in the quality and livability of the places they visit.

FOCUS

"Did you know: HTA is currently monitoring buoys in the ocean?" - a quote heard many times during interviews

HTA lacks focus due to several factors. Firstly, there's the yearly challenge of securing funding, making it hard to predict financial stability. Secondly, being understaffed creates operational difficulties. Thirdly, there's a lack of clarity about the organization's future direction. Additionally, confusion persists about its role, with conflicting priorities between established rules and current needs. Furthermore, having too many decision-makers hampers efficiency. The organization also struggles to balance short-term goals with long-term growth, risking stagnation. In this context, focusing solely on short-term gains could be detrimental to Hawaiʻi.
People expect many things from the HTA — well beyond what is typically expected of a state tourism office: filling the state convention center, safeguarding Hawaiian culture, monitoring air service, and crisis relief. And then the number of responsibilities seems to be growing yearly: DMAPs, workforce development, and developing a digital reservation system. There are not always additional resources or people to take on these extra responsibilities, or if there's an expectation to cancel current projects to shift attention to a new one.

MANY DON'T SEE THE VALUE OF TOURISM

"There's a narrative that got started during Covid'19, and that is that locals don't want tourists to come back, and to be honest with you, if I were a local, I'd probably say the same" Anderson, Avoya Travel.

On one hand, people see tourism as a cash cow, and on the other hand, it threatens to become the scapegoat. When tourism is associated with negative behavior, it can lead to significant problems. Many only consider the financial benefits of tourism, ignoring broader implications. Focusing solely on visitor numbers is superficial; prioritizing profitability is more prudent. Additionally, there's a lack of understanding about Destination Management Organizations (DMOs) and their role in managing tourism's impact.

When stakeholders were asked to explain their rating of HTA, both positive and negative themes emerged. It is important to note that negative perceptions of HTA are closely tied to concerns about Hawai'i tourism and its impacts on quality of place. The "negative" findings reinforce the idea that many of the concerns with HTA relate to concerns about tourism overall. To a lesser degree, respondents identified ways that HTA is not adequately addressing these concerns. Positive perceptions showed an awareness of HTA's role in supporting the economic vitality of the state's tourism industry and recognized the steps the agency is taking to mitigate impacts.

Clearly, the economic importance of tourism and its financial contributions is widely recognized, but who actually benefits from tourism taxes remains unclear. The state's opaque funding practices prevent the broader benefits of tourism from being well-defined. On the island of Moloka'i, there is significant potential for small scale tourism to benefit the local population. However, the reluctance to welcome tourists outweighs the positive contributions that managed tourism could bring, including improved air access for locals.

LOSS OF COMPETITIVENESS

Hawaii's declining competitiveness can be attributed to several significant factors. First, while high prices traditionally correlate with elevated service levels, Hawaii's service standards are being outperformed by destinations like Japan, which offer comparable service at more affordable rates. The strong dollar is making the destination more expensive. Second, aggressive marketing campaigns and direct flight offerings by competitors like Fiji in Canada pose a formidable challenge to Hawaii's market share. Moreover, Hawaii's appeal to the new generation of travelers is waning, as eco-conscious individuals perceive it as an outdated or even colonialist destination, preferring alternatives like Tahiti or Aotearoa. Consequently, Hawaii is losing market share to these destinations as eco-conscious travelers seek more environmentally sustainable and culturally authentic experiences elsewhere.
Below you will find the attributes that people from the marketing effectiveness survey assign to competitive destinations.

The attributes where Hawai'i clearly leads are precisely the characteristics of a more generic kind of tourism (beautiful beaches, lush landscape, etc.), not in more specific ones (Hawaiian culture). Moreover, Hawaiʻi ranks at the bottom for 'value for money' and 'affordability.' Alarm bells should be going off in the State Capitol and county courthouses.

RISK OF LOSING LICENSE TO OPERATE

"I did a little bit of research and I asked travel advisors, 'Why not Hawaiʻi?' It's not that they are afraid that it's closed, it's that they were told not to come. That is a pervasive feeling amongst advisors. Out of 15 advisors, I would say 12 or 13 say 'Do they even want us there?' That is a huge thing that you need to overcome. They don't think that their guests are welcome." Shelly Ransom, Virtuoso

Hawaiʻi tourism faces an imminent risk of losing its moral "license to operate" due to mounting negative sentiment towards tourism. Critics argue that tourism is paradoxically undermining the very resources that sustain it. The commercialization of cultural symbols has reduced their value and turned some into clichéd concepts. You can pay to lay a lei around your own shoulders when arriving at the airport.

As long as residents fail to see how tourism revenues mitigating its adverse impacts and enhance their well-being, protests against the industry are likely to keep escalating. This disconnect between tourism's economic benefits and its social and environmental costs will threaten the legitimacy and effectiveness of any state-level tourism body in Hawaiʻi.

REDUCED ABILITY TO ADJUST STRATEGIES

Losing the ability to adjust swiftly limits an organization's effectiveness in tourism management. The dichotomy between reactive and proactive approaches is evident, with procedures prioritizing correctness over strategic decision-making. When the focus is entirely on doing things right, it can become an obstacle to doing the right things. This rigidity leaves little room to seize emerging opportunities or respond promptly to events. Moreover, the lack of agility impedes the implementation of vital behavioral campaigns crucial for destination stewardship. The most successful destinations are those capable of swift intervention and effective communication with future visitors regarding their values and expected behaviors. The absence of consistency undermines the investment into impactful initiatives like the Mālama Hawaiʻi storytelling.

CONCLUSION: LOSS OF RELEVANCE

Very succinctly put: Hawaii has taken the success of its tourism economy for granted. The state is losing now in two ways. Hawaiʻi's reputation as a coveted destination is slipping. Its once model tourism agency is now hobbled and ill-equipped to address these challenges. An alternative tourism governance system is necessary.

LEARNINGS:
From The Ideation Sessions

Throughout the process of creating the Governance with Aloha study, stakeholders were invited to take part in "design-build" processes. Five Co-Creation Labs held during March provided attendees with opportunities to weigh the pro's and con's of three different scenarios for governance of tourism. The Stakeholder Survey provided multiple opportunities to express preference for one approach over another. The seven Ideation Sessions offered during April and May — included separate sessions for HTA employees and HTA Board Members — offered a different opportunity. Attendees were invited to share their views on specific opportunities for shaping Hawai'i tourism governance.

Sessions were held as follows:
- April 8: Island of Kaua'i
- April 9: Island of Maui
- pril 10: Island of O'ahu
- April 11: Island of Hawai'i
- April 12: Hawai'i Tourism Authority team
- April 30: Virtual session
- May 13: Public HTA board session

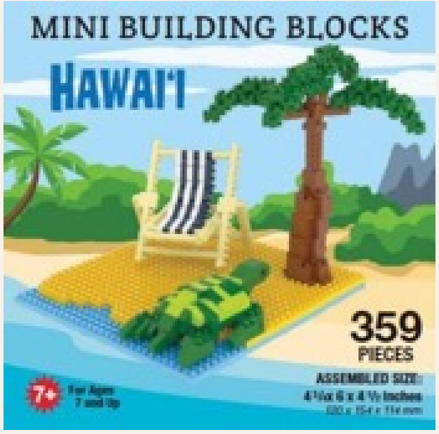
SEEING YOUR REALITY

The purpose of these Ideation Sessions was to give stakeholders an opportunity to help design and build an optimal system of governance for Hawai'i tourism. It was recognized that this is not a simple task, that we aren't building from scratch, nor are we building with Lego blocks.

In the Governance With Aloha situational analysis, we captured the historical context and present-day realities of current tourism governance. The analysis also detailed how changing circumstances now prevent HTA from simply being reverted to its previous state. At the same time, tourism has undergone a significant transformation, creating a vastly different operational landscape with far more stakeholders and competitors. Consequently, structures that proved effective in the past may not be a blueprint for future success.

To explore potential solutions, a diverse group of stakeholders was invited to participate in two-hour ideation sessions — which typically ran long. The goal was to gather a wide range of perspectives and ideas on how to improve Hawai'i tourism governance. The discussion centered on three questions :
- What is the optimal structure for Hawai'i state tourism oversight?
- What is the appropriate funding mechanism to ensure that the state's goals for tourism are being met?
- What responsibilities should be entrusted to a state tourism governance system?

Each question was paired with a proposed "desired outcome" and possible options for achieving the outcome. It is important to note that these options were not presented as the only solutions, nor were they presented as the recommendations of the consulting team. Instead, the questions and options served as a starting point for discussion and ideation. By examining the stakeholders' responses, we aimed to identify realistic approaches for Hawai'i tourism governance.



QUESTION 1: HOW SHOULD TOURISM BE ORGANIZED?

Desired Outcome: "A structure that empowers strategic leadership, creates effective oversight, drives collaboration and partnership with key stakeholders, and inspires credibility and trust."

Participants were presented with four options:

- A cabinet-level agency reporting directly to the governor
- A nonprofit DMO, such as Visit California or Visit Florida
- A division of DBEDT
- An agency administratively attached to DBEDT or another state agency

Other suggestions were welcomed.

THE "CABINET-LEVEL" OPTION

In almost every session, at least one group was excited about the idea of moving tourism into a cabinet level agency. The following thoughts popped up:

- Tourism is such an important industry that it should be under the governor's direct oversight. "A stronger connection with the governor is necessary to lift up tourism to where it belongs in Hawai'i".
- A higher-level agency will have more ability to get collaboration from other state departments and agencies.
- A cabinet-level agency would have more authority to work with the county councils.
- If other countries have a ministry of tourism, then this is what Hawaii should have.
- A cabinet-level agency would have an easier time implementing change – and getting a budget funded.
- Others were unsure whether a tourism agency needed to be at the cabinet level — as long as it had strong backing. Some noted that a past governor's legendary "Tourism Liaison" had authority to convene other agencies to address tourism-related concerns.
- The biggest drawback noted for a cabinet-level model was its lack of stability. Opponents noted that leadership and priorities would change with each new administration. For them, a cabinet-level agency wasn't created the desired stability or trust.
- Others did not believe a cabinet-level agency would have the independence needed to govern tourism in a competitive landscape.

THE "NONPROFIT" OPTION

The nonprofit option came as a surprise in many sessions. Initial responses were along the lines of: "Shouldn't a tourism agency be part of government? But the idea did spark immediate interest and curiosity, especially when participants learned that the three best-funded state or territory DMOs in the U.S. were organized as nonprofits. Some saw a nonprofit structure as offering real potential for addressing challenges facing the HTA, while others were reflecting upon the possibilities:

- Being separate from government will enhance the trust factor, and a nonprofit has a better chance for operating with independence.
- A nonprofit board of directors and the CEO could operate with more stability and credibility than a cabinet- level agency.
- Some saw a nonprofit model as a way to diversify sources of funding. Others expressed a concern that a nonprofit might be in constant search of funding.
- Some said tourism is too valuable as asset for Hawai'i to let it be steered by a nonprofit.

THE DBEDT OPTION (as a division or as an attached agency)

Little support was expressed for positioning the state's tourism agency as a division of DBEDT. Many noted that being a substructure of another department "minimizes the value of tourism." Other comments included:

- It would require more procedures, lack flexibility, and slow down processes even more.
- Others noted it would be "suboptimal" for the state's tourism agency to be under DBEDT, because "Tourism is linked not only to economic outcomes." Others stated: "It's better when tourism is not inextricably tied to economic outcomes."
- In the HTA Board's public session, the current DBEDT executive director said he, as a legislator, had not supported having HTA attached to DBEDT in the first place.
- Some, however, said it was possible for the agency to remain attached to DBEDT, because that arrangement had worked for many years in the past.

AGENCY OVERSIGHT

Questions about how oversight of a tourism agency should be structured drew a wide range of opinions:

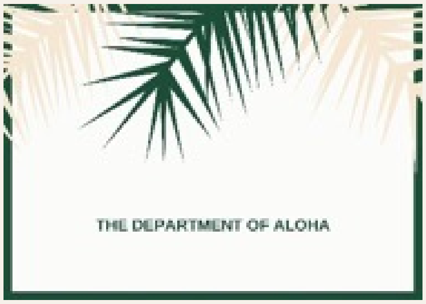
- "There's not so much awareness about the current HTA board, whether this is a governance or an advisory board, whether it exists out of experts or appointed members."
- Some noted that more members could make the board more diverse and incorporate broader representation, but others cautioned against making the board too big.
- There was general agreement that an oversight board needs to be a fully diverse body representing many perspectives: state, county, county council, community organization, tourism organizations, and land managers and owners.
- Others define board diversity as a balance between representatives from the visitor sector and the host communities.
- Including legislators on the board seemed controversial at first sight, but many could see how providing legislators with more insight could build political support and understanding of opportunities and challenges .
- Some raised possibilities for a board to create better linkages between the state and counties. Questions like: 'Can a cabinet-level board be accountable for both state and counties?' popped up.

A Regenerative Tourism Council or a Destination Stewardship Council are alternatives. These may include members nominated by the visitor industry, nonprofits, and local governments as well as those appointed by state officials. These bodies function more as advisory boards with oversight focused on policy, strategy, finances, and assessing outcomes. Many expressed approval for this model. It was clear there was a wish to expand representation on the board, especially to include county-level voices, and to focus more on outcomes. There was particular interest in following up on outcomes for the DMAPs.

A NEW NAME

While there was a sense that other issues were more important than a new name, there was overall agreement that a new organizational structure would require a new name.

- A significant number of people noted the current name is inaccurate. Given the HTA's increasing loss of authority, that alone could point to the need for a new name. One participant noted, "When you are trying to create some collaboration with DLNR, you quickly notice that HTA has no influence or no say at all."
- Others say the name needs to signal more openness to collaboration and express distaste for the implications the word "Authority" has for an undesirable, outdated "top down" management style. One group expressed the change in name should reflect "reciprocity."
- Some groups even proposed new names, such as the Department of Aloha (taking care of the relationship between guests and hosts) or the Department of Community Happiness, switching the focus from pleasing visitors to pleasing the community.
- Many expressed a notable reluctance to include "tourism" in the name of the organization. Some were thinking more along the lines of visitor or destination management.
- Others saw an opportunity to focus on quality of life outcomes by naming it The Department of Wellbeing.



QUESTION 2: HOW SHOULD TOURISM BE FUNDED?
Desired Outcome: "A funding structure that supports stability and long-term planning, smart (competitive) decision-making, systematic collaboration, and can be justified."

STABLE ANNUAL FUNDING:
- Nearly everyone advocated to have a stable yearly revenue stream to fulfill the state agency's mission. Most agreed the agency should be able to rely on baseline funding year to year.
- No one opposed identifying additional revenue streams, but few ideas surfaced about how to connect this type of funding to achieving a specific outcome. There was discussion about how tying funding to growth in visitor numbers could create undesirable outcomes, such as overcrowding and overuse.

PERFORMANCE-BASED FUNDING
Most discussions started from the premise that a state agency's funding should be performance-based as it is state money. However, sometimes it was noted that much of the state's General Fund is generated by tourism activity. Thus, shouldn't this be recognized as "performance." Some raised the possibility for returning funds to the tourism agency to maintain or improve natural or cultural sites that tourists are visiting?
- Many expressed views that not all funding should be performance based, but that perhaps an agency could be incentivized to secure additional funding.
- There was a call to consider island-based KPIs, potentially relating to DMAP outcomes.
- One group argued that performance should be more big picture than metric-based. "Performance is really about helping the people in our land."
- One group noted that an agency under DBEDT would be likely to gravitate to economic KPIs. A different agency structure could go for broader performance indicators.

ABOUT TAT
- Most agree that residents would have a much different view of tourism if they knew just how much the Tourist Accommodations Tax (TAT) and other tourism-driven revenues contributed to the state's well-being. It would be valuable at least to be able to say that TAT revenues are spent to restore or improve infrastructure or facilities used by tourists.
- There would be much less pushback against tourism if residents knew where the money is going.
- Some voiced a view that tourism-generated revenues should not pay for improving infrastructure. Because all assets decay over time, an ongoing stream of funding should be established for maintenance. Hawai'i has been good at building things, but not at maintaining them.
- There is no transparency about how the counties spend their 3% share of TAT — except for O'ahu where 1% is funding the Rail), most believe it's only fair for the counties to receive a share of TAT because the counties are all dealing with impacts of tourism.
- There was praise for the Hanauma Bay model that reinvests visitors fees into the management and maintenance of the site. Many saw it as positive that DLNR was allowed to keep the Diamond Head reservation fees for its own budget.
- Some proposed a possible TAT surcharge that could be redistributed to areas in crisis, such as flooded places in Maui.

FUNDING LOCAL PRIORITIES
Ideation Sessions also explored interest in funding local priorities by providing grants to county-based organizations, perhaps to fund DMAP priorities. In general, this idea was very well received.
- To avoid a complex administrative process, some suggested easier alternatives, such as reserving a percentage of the TAT that is designated for county councils.
- Many saw opportunities for connecting the funding to DMAP priorities. Some anticipated that the plan to transition DMAP managers into HTA employees effective July 1 could create more trust in a potential financial collaboration.
- Some saw potential for "less micromanagement" from the state.
- This possibility also raised questions about which entity should be on the receiving end of grant funding.
- One group suggested the entity should be a coalition between the Island Chapter and local government, potentially the economic development office, and include community-based organizations.
- Others suggested the county's economic development office would be the appropriate recipient. On the Island of Hawai'i, a community organizer recommended fielding an RFP to select the right entity. Her belief was that an RFP could stimulate a representative partnership.

FLEXIBILITY BUT NO EXEMPTION
Most participants agreed that a state tourism entity should have at least some flexibility to reallocate budget during the fiscal year. Most acknowledged that no year passes without unexpected disruptions to planned activities. There was little support, however, for granting a state tourism agency an exemption from state procurement rules. While an agency can move faster if it's not subject to state purchasing rules, many noted that it's not a necessity and may even be "safer" for an organization to comply with laws requiring transparency around purchases.

QUESTION 3: WHAT SHOULD BE THE AGENCY'S KULEANA?

Desired Outcome: "Hawaiʻi tourism is widely recognized as a strong collaboration that creates positive outcomes from a thriving visitor economy while addressing negative impacts of visitation and serving community priorities."

To enrich the discussion, participants were invited to consider a comprehensive strategy that include state and local collaboration around Destination Management and Regenerative Tourism; Brand and Destination Development ; Tourism-Related Workforce/Economic Development; and Advancing Hawaiian Culture and Cultural Sensitivity.

- Most groups concurred with the established priorities, although some individuals mentioned additional priorities. Some emphasized the importance of economic development.
- Workforce development was identified as a key priority across all sessions, with a particular focus on creating opportunities for local residents.
- Most groups also agreed that it would be counterproductive to assign these priorities to different divisions within the organization, as they are all interconnected. For instance, Hawaiian culture should be incorporated into the brand, while the brand should reflect the culture and enrich the experience and stories around it.
- One participant offered a highly insightful and specific new objective for the tourism industry: to promote and advocate for the value it already delivers. For example, many people in Hawaiʻi may not be aware that $900,000 is generated annually from Diamond Head State Monument reservation fees.
- Some participants questioned the range of HTA's current responsibilities, specifically whether the maintenance of ocean buoys was an appropriate objective for the tourism agency. Others, however, suggested that investing in lifeguard towers could be a meaningful and life-saving objective for an island-based tourism agency.

MEASURING SUCCESS

Most suggestions centered on how tourism could be tied to the overall quality of life in Hawaiʻi:

- The KPI should be: Is this good for our grandchildren? Does this improve the quality of life?
- Some suggested tying KPIs to DMAP outcomes and using those to define overall success.

WHAT COLLABORATION SHOULD LOOK LIKE

To achieve success in the tourism industry today, to accomplish desired outcomes, a clear mandate and strong collaboration among partners at the state and county level is essential. This conclusion was emphasized repeatedly. In the island sessions especially, participants shared a clear call to revise the governance structure to include local voices: "It's like Oahu is making decisions for this island, often with a lack of relevance. And on the other side: it's leaving us at the islands willing to do things, but not being allowed."

OTHER COMMENTS WERE AS FOLLOWS:

- "The Authority should be plugged into every part of our community."
- "I can't see it working any other way than having it work at the county level. All of our islands are so different. I could see the state being more accountable for the budget, and counties being more of a decision maker."
- Some noted there was "instant accountability" at the local level. "With DMAP, we had state agencies that were talking to each other for the very first time. If you put it at the county level, then you get accountability. We see them at the store, we see them at the gas station."
- Another asked: "What is the point of having it at the state level? If home rule served us for the best, why do we have (oversight) at the state level?"
- "To inspire credibility and trust, they need to work with the community."
- "The State agency is organized to lead statewide initiatives in collaboration with island partners."
- "The county film office of Oahu is working as a nonprofit, and it works very well."
- "Look at the University of Hawaiʻi and how it's structured at the state and county level."
- "State government should be focused only on impacts to the community (destination management). The DMO (HVCB and Island Chapters) should focus on promotion.
- Other agencies need to accept that they also have a role to play in stewarding tourism.

SEEING MULTIPLE REALITIES

With the ideation sessions, the process began with the end in mind: three desired outcomes. The questions for participants were designed to find out the best possible way of achieving them, given current conditions in Hawaiʻi tourism. It became clear that depending on the perspective, different realities are seen, and also different desired outcomes.

As a late 19th century Chicago architect taught us, form follows function. Today, people see different functions for tourism depending upon their perspective. This year's priority for Hawaiʻi tourism is to create a governance study. A top priority for next year will be development of a new five-year strategic plan. These ideation sessions make it clear that it is best to recommend a structure that is open by design, so it can support multiple desired outcomes, including future strategies and objectives that will be key for the success of Hawaiʻi tourism.

The HTA Board reached instant agreement on one possible outcome: It's more important for Hawaiʻi tourism to be seen as a leader in Hawaiʻi than to be seen as a leader in the world.

OVERVIEW: of Three U.S. Nonprofit Operating Structures

Case studies developed for the Governance with Aloha Situational Analysis, shared in APPENDIX B, provide considerable insight into the effectiveness, credibility, funding mechanisms for: Visit California, VISIT FLORIDA, and Discover Puerto Rico. The CEOs of all three DMOs report to a board of directors and are granted considerable flexibility to operate within approved budgets and plans, in compliance with various state guidelines.

VISIT CALIFORNIA

Visit California is a nonprofit 501(c)(6) mutual benefit corporation, known formally as the California Travel and Tourism Commission, established in 1995. Following approval of an industry referendum, the California Office of Tourism, a division of the Governor's Office of Economic Development (GO-Biz), moved to establish the commission as a "nonprofit mutual benefit corporation" under state law. The new nonprofit was placed under the direction of a board of commissioners.

The enabling legislation, known as the California Tourism Marketing Act, requires the commission "to increase the number of persons traveling to and within California." Now the best-funded tourism entity in the U.S., Visit California has a $160 million budget this year from assessments that California tourism operators have voted multiple times to impose upon their own revenues. These assessments are collected and administered by the California Office of Tourism, a division of GO-Biz, the state's economic development agency.

Visit California's staff are employed solely by the commission and are exempted from state administrative procedures. The commission's executive director must be a tourism industry marketing professional and is recommended by the Commission for the Governor's approval. The organization's long-time President & CEO Caroline Beteta also is a strategic advisor to GO-Biz, and the GO-Biz Director serves as an appointed member of Visit California's 37-member board. The GO-Biz director has authority to overrule Visit California decisions in a handful of instances, but otherwise the nonprofit is empowered to implement the tourism marketing plan approved by the Board.

In addition to the GO-Biz director, the Board includes 12 gubernatorial appointees whose primary business is directly related to tourism to represent each of the state's 12 regions. The other 24 commissioners are elected from five industry categories in an industry referendum and serve four-year terms, with a maximum of two consecutive terms. Commissioners elect the board chair.

Under the California Tourism Marketing Act, Visit California's funding mechanism must be reauthorized every six years by a majority weighted vote of industry partners in five major categories — accommodations, restaurants and retail, attractions and recreation, passenger car rental and transportation and travel services (other than car rental). Reauthorization has never fallen short of a 90% vote of affirmation.

VISIT FLORIDA

VISIT FLORIDA, the state's official tourism marketing corporation, is formally known as the Florida Tourism Industry Marketing Corporation. It is not a government agency, but rather a not-for-profit corporation created as a public/private partnership by the Florida Legislature in 1996. Each year, the Florida Legislature appropriates public funding for tourism marketing, which must be matched dollar for dollar by other public or private tourism entities. To generate the match, Visit Florida each year actively recruits tourism industry partners to invest in cooperative advertising campaigns, promotional programs, and many other marketing ventures.

VISIT FLORIDA's public/private partnership involves tourism industry businesses across the state, including major strategic partnerships with Busch Gardens Tampa, Experience Kissimmee, LEGOLAND Florida Resort, SeaWorld Parks & Resorts Orlando, and Universal Orlando Resort. VISIT FLORIDA facilitates tourism industry participation in domestic and international travel trade and consumer shows, as well as media missions to the top global visitor markets. VISIT FLORIDA also works closely with travel agents, tour operators, meeting and event planners, and is responsible for operating Florida's four Official Welcome Centers.

The Florida Tourism Industry Marketing Corporation — along with Space Florida, the Florida Sports Foundation, and other entities — are governed by Florida Statutes Chapter 288, specifically by Chapter 288.1226. The statutes place these organizations under the jurisdiction of two agencies that serve as the research arm of the Florida Legislature — the Office of Economic and Demographic Research and the Office of Program Policy Analysis and Government Accountability (OPPAGA). The state economic development agency — known as the Governor's Office of Tourism, Trade, and Economic Development (OTTED) — provides oversight of other state economic development programs that also are implemented through public/private partnerships.

VISIT FLORIDA'S annual appropriation and other revenues are placed in the Tourism Promotional Trust Fund, administered by the Office of Economic and Demographic Research and OPPAGA. Chapter 288 specifies that the fund "shall only be used to support the authorized activities and operations and the tourism promotion and marketing activities, services, functions, and programs" authorized under the state's contract with VISIT FLORIDA. For the current fiscal year and next, VISIT FLORIDA's annual appropriation is $80 million.

VISIT FLORIDA's enabling legislation sunsets after five years. It recently was reauthorized by the legislature until 2028 with widespread support from the state's tourism and business community.

The Office of Economic and Demographic Research also appoints Visit Florida's 32-member board. Along with 16 named to represent the state's six regions, members represent tourism-related statewide associations (7), county DMOs (3), the cruise industry (1), the airline industry (1), statewide car rental industry (1), an auto and travel services membership organization (1), nature-based tourism (1), and space tourism (1). Each appointee serves a two-year term.

VISIT FLORIDA's CEO is appointed by the governor. Any part of VISIT FLORIDA salaries paid with public funds cannot exceed the governor's salary or include bonuses, but compensation can be supplemented with nonpublic funds. While the agency is exempted from certain state requirements, including processes relating to bids for printing, it is held to the same travel expense requirements as state employees. The Florida statute also includes many prohibitions on employee or board members' ability to accept gifts, meals, lodging, or entertainment as well as requirements for transparency. Proposed contracts of $750,000 or more are subject to legislative review.

DISCOVER PUERTO RICO

Discover Puerto Rico is the territory's official destination marketing organization, established by the Legislative Assembly of Puerto Rico on March 30, 2107, with passage of An Act to Promote Puerto Rico as a Destination. The DMO's official name is the Corporation for the Promotion of Puerto Rico as a Destination, Inc. The legislative initiative was backed by a multi-sector group — led by a separate 501(c)(3) nonprofit organization, the Foundation for Puerto Rico — which advocated to drive the bankrupt territory's economic recovery by founding a publicly funded, nonprofit DMO. In its "Statement of Motives," the act describes tourism as "an important and essential tool to address the economic crisis that Puerto Rico is undergoing and it is one of the factors that shall help us to tackle the Government's fiscal problems." The act noted that tourism accounted for only 7.2% of the island's GDP, which was well below the 9.8% global average and far below the 17.8% average for a Caribbean island, indicating the tourism industry was far from achieving its full potential.

Until Discover Puerto Rico was created, the island's tourism promotion and marketing was led by the Puerto Rico Tourism Company (PRTC), founded in 1970. The act noted that because the PRTC's strategy changed with the vision of each administration, the territory's investment into tourism marketing and promotion "did not yield the expected outcome." The act described the founding of the nonprofit corporation as "a solution to this problem" and a "best practice" capable of "developing tourism in the long-term through marketing strategies that are not subject to changes in government administrations." The act further stated that the Legislative Assembly was "committed to strengthening the promotion and marketing of Puerto Rico as the cornerstone of our economic development."

The act directed the Executive Director of the PRTC to organize the nonprofit corporation by filing a certification of incorporation in accordance with the territory's General Corporations Act. The Act to Promote Puerto Rico As a Destination specified that the nonprofit "shall not be considered for any purpose whatsoever as a department, agency, public corporation, instrumentality, entity or subdivision of the Government of Puerto Rico. The Corporation shall have all the general powers of a nonprofit, private corporation .."

The act gave the PRTC continued authority for "promoting internal tourism to further economic development." However, it gave the nonprofit corporation — subsequently named Discover Puerto Rico — the task of developing Puerto Rico's brand and sharing media campaigns to attract visitors from across the world. Other responsibilities included creation of a strategic plan, a research program, management of outbound digital communications, and a website. The nonprofit was to work with the PRTC on creation of a "Destination Development Plan." To build partnerships, the new nonprofit was given authority to enter into collaborative agreements with governmental and non-governmental entities.

The Legislative Assembly redirected $25 million in recurring funds from the PRTC budget to fund the nonprofit and also established a process for matching public funds with private and in-kind non-governmental expenditures. To supplement these funds, the nonprofit was allowed to receive donations, charge fees for its services, develop a sponsorship program to secure private funding, and set membership fees. Over the years and with support from one-time funding mechanisms, the agency's budget rose to $73 million this year.

The act also sets forth numerous "duties, powers and functions" to establish transparency and accountability around the nonprofit's operations. Each year, Discover Puerto Rico is required to prepare an extensive annual report and submit externally audited financial statements. Other requirements included establishing policies for competitive bidding, creating a Code of Business Conduct and Ethics, and earning accreditation from Destination International's Destination Marketing Accreditation Program. Any expenditure of more than $1 million requires a competitive bidding process and an affirmative vote of the Board.

The act made it clear that it was establishing the nonprofit for the long term. By statute, Discover Puerto Rico's certificate of incorporation and bylaws may be amended only if amendments are "not inconsistent" with the Act and have a two-thirds vote of the Board.

The act placed oversight of Discover Puerto Rico under a 13-member Board of Directors that includes:

- Three ex officio members, including the Secretary of the Department of Economic Development and Commerce, the executive director of the PRTC, and the executive director of the Puerto Rico Convention Center District Authority. This membership may be delegated with Board approval.
- Two legislative members, including one appointed by the Senate president and another by the House Speaker.
- Four members representing leadership of top tourism organizations, including the hotel association, the convention bureau, the airport, and government-sponsored inns (paradores).
- Three gubernatorial appointees recommended by a Committee on Appointments.
- One appointee from a non-profit committed to the transformation of Puerto Rico as a world destination.

Generally, board members are appointed to three-year terms. The Board elects a chair and vice-chair but ex officio members are not eligible. The Board also appoints the nonprofit's executive director, treasurer and secretary, but only the executive director is required to be appointed on a full-time basis. The transition of duties from the PRTC to the nonprofit was governed by a "DMO Agreement," established for an initial term of 20 years, and subject to renewal every 10 years following.

DRAFT of Recommended Statutory Language

This past spring, the Hawai'i State Legislature expended considerable effort to revise the HTA's governing statute, HRS 201B, to communicate a clear mandate for the agency to lead and implement destination management initiatives. This intent, which is embedded throughout SB3364, is highly consistent with the recommendations of this report and is reflected in the draft statutory language below. It is important to note, however, that some uses of the term "destination management" were revised to "destination stewardship" to signify — as described throughout this report — that destination stewardship encompasses the essential practices of destination management and brand development in broad-based collaborations. The blue text in the following draft represents language highly similar to that of SB3364.

GENERAL PROVISIONS FOR HAWAII DESTINATION STEWARDSHIP

§XXX-1 Definitions. As used in this chapter:

"Agency" means any agency, department, authority, board, commission, the University of Hawaii, or any other unit of the State or its political subdivisions.

"Authority" means the Hawaii tourism authority established in section 201B-2.

"Board" means the board of directors of the Hawaii tourism authority established in section 201B-2, and any successor thereto.

"Convention center facility" or "convention center" means any combination of land, buildings, and improvements thereon, acquired or developed by the State, and includes exhibition halls, meeting rooms, a plenary session hall, and support space that reflect a Hawaiian sense of place; any other structure or facility required or useful for the operation of a convention center, including commercial, office, community service, parking, garage, and other supporting service structures; and, all necessary, useful, and related equipment, furnishings, and appurtenances.

"Corporation for the Stewardship of Hawaii Tourism" or "corporation" means the nonprofit organization designated as the official destination stewardship organization for Hawaii.

"Destination stewardship" means a collaborative and coordinated process among public, private, nonprofit, and community stakeholders to manage the various elements of a visitor economy to:

(a) Support Hawaii's economic prosperity by creating, implementing, and monitoring strategies that attract targeted visitors and improve visitor experiences;

(b) Develop regenerative strategies to Improve natural and cultural resources valued by Hawaii residents and visitors and yield benefits for Hawaii communities;

(c) Create strategies to manage visitation in ways that safeguard Hawaii parks, beaches and natural areas; communities; cultural centers; and other assets from overcrowding and overuse.

(d) Yield opportunities for Hawaii residents to create and build locally based businesses and pursue rewarding careers.

(e) Perpetuate the Hawaiian culture and honor the many cultures represented among the State's population.

"Destination Stewardship Organization" or "DSO" means a tourism organization that is structured to guide a visitor economy in collaboration with public, private, nonprofit, and community stakeholders in achieving beneficial outcomes from tourism based on the principles of destination stewardship and regenerative tourism.

"Destination Stewardship Organization Service Agreement" or "agreement" means a written contract authorizing the DSO to expend state funding to achieve specified deliverables on behalf of the state.

"Hawai'i Destination Stewardship Council" or "state council" means an appointed governing body that collaborates to oversee the strategy, policy, and finances of a statewide Destination Stewardship Organization.

"Hawaii brand" means the qualities and programs that collectively differentiate the Hawaii experience from other destinations.

"Incorporator" means the president and CEO of the authority.

"Island Destination Stewardship Council" or "island council" means an appointed body of stakeholders who collaborate in development of county or island Destination Management Action Plans, prioritize actions for implementation, and participate in achieving desired outcomes.

"Public agency" means any office, department, board, commission, bureau, division, public corporation agency, or instrumentality of the federal, state, or county government.

"Regenerative tourism" means a tourism model that:

(a) Is designed and carefully managed to bring net benefits to local communities resources, culture, and residents; and

(b) Engages in collaborative efforts to implement innovative and sustainable plans and strategies to:

(1) Make net positive contributions from visitation;

(2) Support and create conditions that allow communities to flourish;

(3) Provide visitors with genuine and meaningful experiences in Hawaii; and

(4) Improve Hawaii places and experiences for current and future generations for the well-being of the environment, residents, indigenous communities, and visitors."

§XXX-x Nonprofit Hawaii Destination Stewardship Organization; establishment; board; president and chief executive officer.

(a) Through its president and chief executive officer, the Authority is hereby directed to organize a nonprofit corporation named "Corporation for the Stewardship of Hawaii Tourism" by filing with the Department of Commerce and Consumer Affairs a certificate of incorporation. The president and chief executive officer will be the official charged with taking all the necessary actions to organize and incorporate the corporation, which shall not be considered for any purpose whatsoever as an Agency of the State or as a public corporation. The Corporation shall have all of the general powers of a nonprofit private corporation in accordance with the provisions of the Hawaii Nonprofit Corporation Act. Relative to the formation of the corporation and this statute, the president and chief executive officer of the authority shall be referred to as the Incorporator.

(b) The Incorporator shall state in the certificate of incorporation that the Corporation shall serve as the official Destination Stewardship Organization for Hawaii and as the official representative for Hawaii tourism.

(c) The certificate of incorporation shall further state that the initial affairs of the Corporation shall be managed by a policy-making state council.

(d) The state council shall consist of up to 20 voting members and six non-voting ex officio members; provided that:

(1) The members shall be appointed by the governor, except as provided otherwise by this section;

(2) Voting members shall include:

A. The elected chairs of island councils.

B. At least eight members with direct experience and expertise in the business of accommodations, tourism-related transportation, retail, entertainment, or attractions. The governor shall select appointees from nominations submitted by statewide associations representing these industry sectors and shall strive to achieve a balance of representation from the sectors and from the four counties;

C. A member representing a nonprofit organization engaged in advocacy for the environment.

D. A member representing a nonprofit organization engaged in advocacy for social improvements.

E. At least one member must have knowledge, experience, and expertise in Hawaiian cultural practices.

F. Two state senators appointed by the President of the Senate.

G. Two state representatives appointed by the Speaker of the House of Representatives.

(3) The membership shall include six ex officio members representing state government agencies. Ex officio members shall not have a vote but may contribute to policy and strategy discussions and serve on council working groups and committees. Ex officio members shall include:

A. The Stewardship Liaison in the Office of Governor, or high-level designee.

B. The Director of the Department of Agriculture, or high-level designee.

C. The Director of the Department of Business and Economic Development, or high-level designee.

D. The Director of the Department of Land and Natural Resources, or high-level designee.

E. The Director of the Department of Transportation, or high-level designee.

F. The Executive Director of the State Foundation on Culture and the Arts, or high-level designee.

(4) A quorum shall require attendance by half of members who are neither ex officio members nor legislative appointees. A majority vote of all present shall be necessary for actions by the Council, unless specified otherwise.

(5) Members shall serve without compensation, but shall be reimbursed for expenses, including traveling expenses, necessary for the performance of their duties.

(6) Members appointed by the governor shall serve for terms of four years; provided that membership on the state council shall not exceed eight consecutive years; provided further that each member shall hold office until the member's successor is appointed and qualified.

(7) Voting members of the state council shall elect a chair and a vice chair from among the membership. No chair shall serve more than four years.

(8) Members who are no longer part of the governing structures they were named to represent will cease to be members of the State Council. The vacancy will be filled by appointment or election as provided in this section.

(9) The state council may establish committees it deems appropriate.

(e) The incorporator shall state in the certificate of incorporation additional provisions as are necessary for the administration or management of the Corporation, and shall carry out such other tasks required by the Hawaii Nonprofit Corporation Act that are needed to complete the organization of the Corporation including, but not limited to, holding the initial meeting of the state council, overseeing election of the officers of the state council and adoption of the bylaws of the Corporation and a corporate seal.

§XXX- Corporation president and chief executive officer.

(a) The corporation shall be administered by the president and chief executive officer. This individual shall be a tourism industry professional who is selected and approved by a vote of the state council and approved by the Governor. The president and chief executive officer shall serve at the pleasure of the state council.

(b) The state council shall set the president and chief executive officer's compensation and benefits based upon industry standards for the leaders of destination organizations of similar size and budget. The president and chief executive officer shall oversee, hire, and direct the Corporation staff and determine compensation based on industry standards for positions at destination organizations of similar size and budget.

(c) The president and chief executive officer and other employees of the corporation are not state employees and are exempt from state administrative requirements with the exception of state requirements for travel and ethical conduct.

(d) The president and chief executive officer shall report to and receive guidance from the state council on matters of policy, strategy and finance. The president and chief executive officer shall implement the strategic plan adopted by the state council.

(e) The president and chief executive officer and the corporation shall abide by and comply with the terms of state procurement practices for services and goods purchased by the corporation to carry out its purpose.

(e) The president and chief executive officer shall annually provide to the Hawaii State Legislature a report on the activities and budget of the Corporation, including, but not limited to, income and expenses, the fund balance, a summary of the strategic tourism stewardship plan, and a report of progress in achieving the goals set forth in the plan. The portions of the report that pertain to the Corporation's income and expenses and the fund balance, shall be audited by independent accountants retained by the Corporation for this purpose. The Corporation shall also annually post the report on its website.

§XXX- Transition; Destination Stewardship Organization Service Agreement

(a) After the effective date of this statute, there shall be established a transition period during which the authority shall continue to direct brand development, destination management, and other responsibilities of the office.

(b) During this period, the corporation shall be organized and all the necessary administrative actions shall be taken so that it may be fully operational and capable of effectively fulfilling the objectives, purpose, duties, and functions set forth in its certificate of incorporation.

(c) The Office of Governor is hereby authorized to enter into and execute a Destination Stewardship Organization Service Agreement with the corporation. The agreement will describe a process not to exceed three (3) months to transition responsibilities from the authority to the corporation. The agreement will set dates for the transition to begin and end.

(d) On the appointed date, the corporation shall assume the principal duties of stewarding the marketing and promotion of Hawaii as a visitor destination, destination development, and other duties currently carried out by the authority pursuant to HRS 201B.

(e) All of the terms and conditions that govern the agreement shall be binding and enforceable to all of the parties. The corporation shall not assume nor be held liable for the existing obligations or debts of the authority, unless the agreement expressly provides so.

(f) On the final date of the transition, the state council shall issue and deliver a certification to the president and chief executive officer of the authority.

(g) Once the certification is received, the authority shall cease to carry out the delegated functions. The authority shall certify the date of transfer of delegated functions, on which date the authority shall be repealed.

§XXX- Powers, generally.

(a) The purpose of the corporation is to collaborate in actions to build a thriving tourism economy that addresses local priorities as determined through collaboration with island councils; creates opportunities for commerce that benefit Hawaii residents; safeguards and improves the unique assets of Hawaii; and perpetuates the uniqueness of the Hawaiian culture and community and their significance to the quality of the visitor experience.

(b) The corporation shall do any and all things necessary to carry out its purpose and to exercise the powers and responsibilities given in this chapter.

(c) Further, except as otherwise limited by this chapter, the corporation may:

(1) Sue and be sued;

(2) Have a seal and alter the same at its pleasure;

(3) Through its president and chief executive officer, make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this chapter; provided that the corporation may enter into contracts and agreements for a period of up to five years, subject to the availability of funds; and provided further that the corporation may enter into agreements for the use of the convention center facility for a period of up to ten years;

(4) Make and alter bylaws for its organization and internal management;

(5) Through its president and chief executive officer, represent the corporation in communications with the governor and the legislature;

(6) Through its president and chief executive officer, provide for the appointment of officers, agents, and employees, prescribing their duties and qualifications, and fixing their salaries, without regard to chapters 76 and 78, if funds have been appropriated by the legislature and allotted as provided by law;

(7) Through its president and chief executive officer, purchase supplies, equipment, or furniture;

(8) Through its president and chief executive officer, allocate the space or spaces that are to be occupied by the corporation and appropriate staff;

(9) Through its president and chief executive officer, engage the services of consultants on a contractual basis for rendering professional and technical assistance and advice;

(10) Procure insurance against any loss in connection with its property and other assets and operations in amounts and from insurers as it deems desirable;

(11) Contract for or accept revenues, compensation, proceeds, and gifts or grants in any form from any public agency or any other source;

(d) Any and all other activities necessary to carry out the intent of this chapter.

§XXX- Meetings of the state council.

(a) The meetings of the state council shall be open to the public as provided in section 92-3, except that when it is necessary for the state council to receive:

(1) Information that is proprietary to a particular enterprise or the disclosure of which might be harmful to the business interests of the enterprise; or

(2) Information that is necessary to protect Hawaii's competitive advantage as a visitor destination; provided that information relating to marketing plans and strategies may be disclosed after the execution of the marketing plans and strategies the Council may enter into an executive meeting that is closed to the public in accordance with the procedures provided for holding an executive meeting under part I of chapter 92.

(b) The state council shall be subject to the procedural requirements of section 92-4, and this authorization shall be in addition to the exceptions listed in section 92-5, to enable the Council to respect the proprietary requirements of enterprises with which it has business dealings.

§XXX- Strategic plan; strategic tourism stewardship plan; measures of effectiveness.

(a) The corporation shall be responsible for leading development of collaborative plans, including but not limited to:

(1) Developing a vision and long-range strategic plan for tourism in Hawaii;

(2) Creating an annual strategic tourism stewardship plan to generate a healthy tourism economy, advance the Hawaii brand and destination stewardship best practices, and advance regenerative tourism. The plan shall be a single, comprehensive document to be shared annually with the Governor and the Hawaii State Legislature prior to the annual session.

(3) Developing periodic destination stewardship action plans for each county to identify and address destination stewardship objectives.

§XXX- Destination stewardship action plans; island councils; objectives; execution. To identify and address destination stewardship objectives for each county, the corporation shall lead a collaborative process with island councils to develop destination stewardship action plans for each county.

(a) Members of island councils shall be named by agreement of the County Mayor and County Chair. Island councils may include up to 20 members but no less than 15. Appointed members who represent organizations not named in this section may serve a four-year term and may serve no more than eight years.

(b) A quorum is defined as at least 50 percent of the island council's full membership. The island council membership shall elect a chair and a vice chair by a majority vote of the full membership.

(c) The membership of an island council shall include:

(1) Representatives of each census-designated place on the island;

(2) The county economic development officer;

(3) The executive director of the county visitor bureau;

(4) The head of the chamber of commerce or equivalent;

(5) A minimum of six and up to nine representatives of the county visitor industry, including owners, managers, association leaders or others with direct experience and expertise in managing accommodations, restaurants, retail, entertainment or attractions,

(6) At least one member with knowledge, experience, and expertise in the area of Hawaiian cultural practices;

(7) Local representatives of state agencies with a role in the health of the Hawaii visitor economy, including Department of Land and Natural Resources, Transportation, and Agriculture.

(d) The membership of an island council also may include:

(1) Law enforcement or first responders;

(2) Educational institutions;

(3) Transportation;

(4) Housing;

(5) Agriculture

(6) Nonprofits engaged in environmental, social or cultural activities.

(e) Additional Island Councils may be designated for counties encompassing more than one island with a population of 5,000 or more.

(f) Island Destination Stewardship Action Plans shall identify priorities for a healthy island visitor economy that creates positive visitor experiences, improves natural and cultural resources valued by island residents and visitors, mitigates overcrowding and overuse, and advances regenerative strategies to create beneficial outcomes from tourism, as described by guidelines developed by the corporation and approved by the state council.

(d) On an annual basis, island councils shall identify a one-year action plan to implement priority initiatives identified in the periodic destination stewardship plan. The island council will use funding from an annual destination stewardship grant to implement the one-year action plan in collaboration with designated representatives of the corporation and in keeping with grant guidelines established by the corporation.

(f) Periodic and one-year island destination stewardship action plans shall be approved by a majority vote of the full island council membership.

(f) the island council, in collaboration with designated representatives of the corporation, shall prepare and approve an annual report identifying outcomes of the annual action plan and describing compliance with the grant guidelines .

§XXX- Exemption of corporation from taxation.

All revenues and receipts derived by the corporation from any project or a project agreement or other agreement pertaining thereto shall be exempt from all state taxation. Any right, title, and interest of the corporation in any project shall also be exempt from all state taxation.

§XXX- Declaration of public function, purpose, and necessity.

The powers and functions granted to and exercised by the corporation under this chapter are declared to be public and governmental functions, exercised for a public purpose, and matters of public necessity. State Council members and employees of the corporation are not responsible individually in any way whatsoever to any person for liability for any good faith activity of the corporation.

§XXX- Annual report. The corporation shall submit a complete and detailed report of its activities, expenditures, and results, including the progress of the strategic tourism stewardship plan toward achieving the corporation's strategic plan goals, to the governor and the legislature at least twenty days prior to the convening of each regular session of the legislature. The annual report shall include the descriptions and evaluations of programs funded, together with any recommendations the corporation may make.