Ke'ena Kuleana Ho'opipa O Hawai'i
1801 Kalākaua Avenue
Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
hawaiitourismauthority.org

BRANDING STANDING COMMITTEE MEETING
HAWAIʻI TOURISM AUTHORITY
Monday, September 9, 2024, at 1:00 p.m.

Virtual Meeting

MINUTES OF THE BRANDING STANDING COMMITTEE MEETING

MEMBERS PRESENT:	Blaine Miyasato (Chair), Kimberly Agas, David Arakawa, Mufi Hannemann, James McCully, Roy Pfund
HTA STAFF PRESENT:	Daniel Nāhoʻopiʻi, Kalani Kaʻanāʻanā, Talon Kishi, Caroline Anderson, Iwalani Kūaliʻi Kahoʻohanohano, Trishia Mendoza
LEGAL COUNSEL:	John Cole

1. Call to Order

Chair Miyasato called the meeting to order at 1:04 p.m.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Ms. Kahoʻohanohano did the roll call, and members were confirmed in attendance by themselves.

3. Opening Protocol

Mr. Nāhoʻopiʻi did the opening cultural protocol.

4. Presentation, Discussion, and Decision on the Proposed Final Draft of the Fiscal Year 2026 and 2027 Hawaiʻi Tourism Authority Operating Budget for Branding and Marketing (BED114)

Chair Miyasato introduced Mr. Nāhoʻopiʻi, who would present the proposed branding and marketing budget. The Chair noted that multiple meetings had been held, and everyone present had received copies of the worksheets prepared during the previous meeting. The present meeting was to consider changes from the set of budget line items that had been presented during the previous Board meeting.

Mr. Nāhoʻopiʻi explained that the overall aim of the revisions had been to ensure that they addressed both present and anticipated needs in two years' time. All figures had been adjusted for inflation, and some contracts had been reviewed. He noted that this was the time when 2025 Brand Marketing Plans (BMPs) were submitted by contractors, outlining the specific activities that they planned. Presentations would be made at the subsequent Branding Standing Committee meeting in two weeks' time. Staff had reviewed some activities and their costs and, along with their recommendations, had made minor amendments to the amount of funds requested based on activities that were less effective at the present time.

Mr. Nāhoʻopiʻi pointed out that Mr. Arakawa had asked staff to rank the priorities of the projects in Supplementals 1 and 2 and projects that were to be included in the base budget of $70 million. Staff had also worked on the areas of destination stewardship, planning, and communications, as well as branding and marketing. All areas had now been integrated into the priority list. In some cases, funds had been traded off in one area for a higher priority in another area, but the total had remained the same.

He stated that the budget and finance presentation at the Board meeting suggested that the budget to be presented to the Governor and the administration would be a base budget of $63 million. Mr. Nāhoʻopiʻi pointed out that this would be a problem since the Budget, Finance, and Convention Center (BFCC) Standing Committee had recommended a budget of $70 million.

Mr. Nāhoʻopiʻi explained that the staff as a whole had recommended the implementation of the 10% restriction, which had been imposed during the current year, so that instead of identifying specific programs to cut, the 10% restriction would be applied again, implying the postponement of some projects. However, staff felt that this was a necessary decision.

Chair Miyasato asked whether factoring in the 10% restriction would solve the problem, and Mr. Nāhoʻopiʻi responded positively.

Mr. Nāhoʻopiʻi added that with a $70 million budget request, there would still be $63 million to work with if the 10% restriction were implemented. The budget had been $63 million in the present year, of which 10% had been deducted.

Chair Miyasato responded that there was a plan to drive the branding and marketing budget requests by adding 10% to the $63 million to reach $69.9 million. This meant that, on the one hand, the HTA would have $7 million more than the previous year, but on the other hand, they would not have $70 million.

Mr. Nāhoʻopiʻi agreed that this was true. He explained that adjustments had been made between FY25 and FY26 because some programs had expired. An example was Meet Hawaiʻi. The budget request for Oceania had decreased because not all of the budget would be needed during the coming year.

Mr. Pfund referred back to the previous meeting and asked whether the intention was to prioritize some programs because there was insufficient approval on the total funding. He understood this was a biennial budget for the next two fiscal years. He had understood that $80 million was to be requested with proposals for layered reductions. He asked whether the budget request would be reduced from $80 million to $70 million.

Chair Miyasato responded that this was a good question, but the answer had not yet been formulated, hence the meeting. He stated that everything revolved around Dir. Salaveria's instruction that Form A should be submitted at the end of September. This meant that the deadline for staff to fine-tune the budget would be September 15. The terminology was "base budget" and "incremental or Supplemental 1 and 2." Supplemental 1 comprised an additional $10 million, but no conclusion had been reached about the base budget. The committee was to discuss whether the base budget would include the $10 million or whether the $10 million would remain as Supplemental 1 and 2.

Mr. Nāhoʻopiʻi responded that they would present the total amount, and after presenting the $70 million budget, they would discuss the $80 million budget, which was $10 million more and included priority projects. The next incremental will also be presented during the meeting.

Chair Miyasato thanked Mr. Pfund for his observation. Dir. Salaveria had been enlightening on the reasons for the budget shortfall. However, the only agency that could bring revenue into the State was the HTA, which had to be a factor in the budget preparation.

Mr. Arakawa asked Mr. Nāhoʻopiʻi whether the administration had placed a 10% restriction on the $63 million budget for FY25. It was important for Chair Miyasato to know that although $63 million had been allocated, that amount was $56.7 million. Requesting $70 million was a larger amount than the current budget.

Chair Miyasato asked Mr. Arakawa if this was to come from the 10% "haircut," Mr. Arakawa replied that the HTA was "taking a haircut" at present.

Chair Miyasato noted that for FY26/27, the recurring budget had been $63 million, but $69.9 million was to be requested. He had been told that this was because of the expected 10% restriction.

Mr. Arakawa responded that Mr. Nāhoʻopiʻi would also be able to explain, but effectively, the HTA did not have $63 million to spend during the current year; it was about $54 million or $56 million. Mr. Nāhoʻopiʻi confirmed that this was the case. Mr. Arakawa continued that if the HTA requested $70 million and had a 10% withholding, it would be possible to obtain a larger amount in subsequent years.

Chair Miyasato replied that he understood and that this explained the origin of the “magic number” of $69.9 million. Still, he pointed out that the $70 million was not really $70 million but the $63 million of the recurring budget.

Mr. Arakawa reminded the Chair that the recurring $63 million was actually $54 million.

Chair Miyasato stated that if the HTA requested $69.9 million for FY26/27, they would have $63 million to operate.

Mr. Nāhoʻopiʻi pointed out that, as yet, the actual memo for the restriction had not been received. The Department of Business, Economic Development, and Tourism (DBEDT) has not yet received the memo. Dir. Salaveria informed the Board that the restriction had not yet been imposed, but based on prior experience, there would be a 10% restriction. Secondly, Mr. Nāhoʻopiʻi stated that during the subsequent meeting on September 18, there would be brand management plan presentations by each of the marketing contractors, who would show where the 5% or 10% restriction would be deducted.

Chair Miyasato stated that FY26/27 should be level-set for branding and marketing as well as the availability of resources. He noted that the $63 million was encumbered because it consisted of contracts. He pointed out that nothing was new there.

Mr. Nāhoʻopiʻi explained that in the base budget for branding and marketing, the bulk of the first six months of FY26 comprised contracts for all the major programs except for the China program, whose contract had expired. During the second half of FY26, there will be options to renew most of the major contracts. Staff had estimated that these would either be at the same cost or could be options to renew. If the staff were aware of increases in the in-market costs, they would factored these in for FY26.

Chair Miyasato responded that, in effect, there was nothing new here for branding and marketing because nearly all were committed via contracts. Mr. Nāhoʻopiʻi confirmed that this was true in the majority of cases.

Mr. Nāhoʻopiʻi stated that the second item for discussion was the development of the FY26 budget by, where possible, seeking ways to create efficiencies or economies. This could be done by taking a program in-house or developing programs running across multiple project levels. He would discuss this at the HTA tourism conference.

An example was Brand USA, which was the national marketing arm. Brand USA had some programs that could be inserted into multiple markets simultaneously, such as international law, international travel agent training programs, or their broad national website. Mr. Nāhoʻopiʻi explained that staff would consider how Brand USA could help the HTA be more efficient in the international market.

Mr. Nāhoʻopiʻi explained that Brand USA also offered savings in matching funds, although that might not sufficiently decrease the total project amount for a particular market. However, it might enable the HTA to achieve more by partnering with other markets or setting up cooperative projects with other industry partners. This would allow the HTA to achieve more with the same line-item amount.

Chair Miyasato stated that he was trying to “connect the dots” regarding Mr. Pfund’s budget suggestion and the robust conversation at the previous meeting about the importance of a plan and a strategy to build the budget. This related to his question about the $63 million since it was mainly earmarked via contracts. This also related to the importance of building capacity within the HTA and reinforced the general feeling of the committee that being incremental or supplemental might not be the right approach, given that the baseline for FY26/27 was $63 million. The Chair felt it was important to be more aggressive because spending money was the only way to make money within the tourism space. A plan was needed to do this, and at the moment, all the strategic programs have been placed in Supplementary 1.

Mr. Nāhoʻopiʻi agreed with this statement.

Chair Miyasato believed that the priority should be to ask for the needed funds.

Mr. Arakawa repeated that the budget for the present year was more like $55 million than $63 million, so the continual reference to the budget request being the same amount as previously was false. He had to state this.

He pointed out that the HTA could ask for whatever they liked. Still, the two people who had given the Board advice were the people who would determine the amount to be submitted to the Governor, and the Governor would make the final decision. The HTA could ignore the advice and ask for any amount they chose, but finally, they would take their chances. The BFCC committee had tried to ensure that there would be prioritization. Vice-Chair Agas had pointed out that it was important to prioritize the request so that the administration would know what was important. However, the people in charge would cut whatever was requested.

Mr. Arakawa finally reminded staff that this was not the “same old, same old.” Every time Mr. Nāhoʻopiʻi tried to answer questions, this budget was portrayed as “same old, same old,” but it was not the same. Mr. Arakawa commended the staff for their work on this budget. The staff tried to make the budget innovative and efficient, aiming to achieve more with less and do new things. It was a disservice to the HTA staff to continue to say the budget was the same because it was not, and the staff had worked hard.

The BFCC committee commended the administration, destination stewardship, branding, and planning staff for working together collectively to devise a budget along with a

Supplemental 1 of $10 million and a Supplemental 2, which could have reached $10 million. Mr. Arakawa congratulated Mr. Nāhoʻopiʻi and the HTA staff.

[Chair Miyasato had to step out briefly.]

Mr. Hannemann asked Mr. Nāhoʻopiʻi about the $63 million with a "haircut," giving $57 million. He asked for details of how much was due to inflation, rising costs, and personnel, and then how much would be left over for destination marketing and management out of the $57 million.

Mr. Nāhoʻopiʻi responded that for personnel, the average was from 3% to 7% depending on certain bargaining units and internal salaries. For marketing contracts, there was about a 3–5% increase in personnel and rising advertising and media costs. In some markets, it had risen to 10%. Staff had considered these when calculating the actual request, including the $10 million in Supplemental 1.

Mr. Hannemann asked how much would remain to increase marketing and destination management, which was $13 million.

Mr. Nāhoʻopiʻi responded that it would be about $6 million. Mr. Kishi added that the other $6 million was about 10% and promised to make an analysis.

Mr. Hannemann repeated his question, and Mr. Nāhoʻopiʻi replied that a 10% increase was about $7 million, and out of the $13 million, that left $6 million. Mr. Kishi added that part of the increase in costs was the salaries and costs of the HTA.

Mr. Nāhoʻopiʻi explained that staff had been considering innovative programs, but on the marketing side, the only cost increases were for Meetings, Conventions, and Incentives (MCI) and Meet Hawaiʻi. The U.S. MMA also had rising advertising costs. Nothing else had increased in the base budget for marketing and branding. Every other increase was in Supplemental 1.

Mr. Hannemann asked how much of the $70 million budget was due to increases in the California market, which was the most important sector of the domestic market. He also asked how much the $80 million budget would be increased and what had been left out that staff believed was essential.

Mr. Hannemann wanted to find out which specific programs were to be left out. He had received a memo from the Chair of the Senate Ways & Means Committee, Senator Dela Cruz, who had been responsible for the HTA budget for the present year, increasing from $60 million to $63 million. This memo stated that DBEDT should not shortchange resources for its attached agencies, which could provide opportunities for growth for local industries. The budget request should be strategic and purposeful to grow Hawaiʻi's economy. Mr. Hannemann reminded Mr. Nāhoʻopiʻi that he had received the memo and asked what actions he was taking so that the HTA could submit a budget to DBEDT that would satisfy the memo's writer. The HTA had been asked not to hesitate to ask for more funds. Mr. Pfund seemed to ask if the HTA could settle for $70 million. Everybody agreed that growth was important.

Mr. Nāhoʻopiʻi responded that that would be his next presentation.

Mr. Hannemann stated that he did not want to hear any more about $70 million. Tourism was the only industry taking off, even though it was not yet at its previous level. Construction neither provided the jobs that tourism did nor brought in the dollars that tourism did. He complained that he seemed to be getting two messages. He asked Mr. Nāhoʻopiʻi to say whether the HTA needed more money. Sen. Dela Cruz had asked the HTA to help grow the economy. Dir. Salaveria had said, "Don't hesitate to ask for what you need." Mr. Hannemann reminded committee members that destination management had just been codified, and this meant that the HTA was expected to develop programs and not just hire five people for the payroll.

Mr. Hannemann stated that if the budget was driven by staff and the staff had produced a $70 million budget, committee members should be informed.

Mr. Arakawa responded that the HTA was not settling for $70 million; they were asking for $10 million more in Supplemental 1 and up to $5 million more in Supplemental 2, which had no limit. The budget request could go up to $90 million.

Mr. Hannemann stated that it had been laid out that option 1 = $70 million, option 2 = $80 million, option 3 = $90 million. Mr. Arakawa responded that it all went in together.

Mr. Hannemann replied that he understood, but he would like this committee to choose between the three options, with an emphasis on marketing. The committee should state which should be their priority. He understood that it seemed that $70 million was the first choice and asked whether the staff supported it. He believed that the HTA should request $80 million with the support of the Ways & Means Committee Chair. $80 million would create growth in the economy.

Chair Miyasato agreed, and a reduction of 10% was germane to what the HTA had been contracted to do. It would be difficult to create economic growth with whatever had been left when the encumbered portion was removed. A budget of $70 million had not been agreed to at the previous meeting, which was the reason for the present meeting.

Mr. Pfund asked for clarification of Mr. Arakawa's comments about the budget not being the same. It was important to obtain a perspective of how the HTA would help the State to improve the economy. He asked whether Mr. Nāhoʻopiʻi and the staff could provide some hard numbers like those mentioned by Dir. Salaveria. For instance, what contributed to transient accommodations tax (TAT) or general revenues, such as the fees and other payments that the industry generated for the State? Mr. Pfund had examined previous budget submissions to the administration, mentioning about $20 billion in expenditures but not referring to flow-through second and third layers. Mr. Pfund believed that the HTA should make a new budget request. Not everyone was aware of the economic impact and revenue of the tourism industry. It was important to obtain figures about the visitor industry’s activities.

Chair Miyasato thanked Mr. Pfund and referred to Dir. Salaveria’s presentation mentioned waiting for the projections of revenues to come in and looking at the shortfalls in collections. The Chair asked what percent of contributions those taxes and fees represented as part of the assessment of revenue collection. The HTA was the only agency that had a chance of increasing revenue for the State. This would underscore that the shortfall was x% in tourism, and the only way to address this was by branding and marketing.

Mr. Kaʻanāʻanā echoed this comment and agreed that all the staff understood the need to do everything possible to create economic growth, given the present market softness. However, if efforts were to be made to send revenues to their previous levels, stewardship had to take place simultaneously, which also took money. As the volume of visitors increased and revenue increased, linking this to stewardship requirements was necessary. In the context of $70 million, $80 million, or $90 million, he hoped that stewardship would take place to mitigate the impact on the community.

Mr. Nāhoʻopiʻi presented the budget spreadsheet showing the critical programs that staff felt were essential. The base budget of $70 million did not include any programs required to stabilize the U.S. and Canada base market or reinvigorate the international market, especially Japan. These programs had been transferred to Supplemental 1. If revenue were to be increased, these additional funding recommendations would have to be supported.

Mr. Nāhoʻopiʻi added that U.S. MMA would need $4.4 million to allow at least two more major in-market activations like the one in Los Angeles, either in FY25 or FY26. This budget would drive specific cooperative programs for short-term recovery, and the collaborative partners would not be paid unless they provided revenue.

He indicated an additional $722,000 in the Japan market, which was also aimed at short-term recovery programs. Staff were to collaborate with wholesalers, airlines, and online travel agents to encourage quick commitments to address the issues of inflation and the exchange rate in the Japan market, along with additional pay for upgrading and credit card points. Added components would drive additional travel to Hawaiʻi, especially package travel.

Mr. Nāhoʻopiʻi requested that the committee go into Executive Session because he would be giving contract details.

Attorney. Cole stated that committee members must vote to approve the Executive Session.

Mr. Arakawa proposed a motion to go into Executive Session. Mr. Pfund seconded the motion. Mr. Arakawa explained that the Executive Session was necessary because there would be a discussion about specific contracts for which there was competition.

Ms. Kahoʻohanohano conducted the roll call vote, and the motion was carried unanimously.

[Executive Session]

Chair Miyasato proposed the motion that the Branding Standing Committee recommend to the BFCC Standing Committee approval of the FY26/27 budget for $80 million.

Mr. Arakawa commented that the $80 million appeared to cover matters outside the *kuleana* of the Branding Standing Committee. Chair Miyasato asked for the actual figure for branding and marketing to be substituted in the motion.

Mr. Nāhoʻopiʻi stated that Supplemental 1 was $6.4 million for branding and marketing. The total for branding and marketing, including Supplemental 1, was $49.3 million.

Chair Miyasato proposed the motion that the Branding Standing Committee recommend to the BFCC Standing Committee approval of the FY26/27 HTA operating budget for branding and marketing for a total amount of $49.3 million. Mr. Hannemann seconded the motion.

Mr. Pfund commented that this related only to one year, and Mr. Nāhoʻopiʻi agreed that it concerned FY26. The budget for FY27 was to be $53.1 million.

The motion was amended as follows:

> The Branding Standing Committee recommends to the BFCC Standing Committee approval of the FY2026 and 2027 HTA Operating Budget for branding and marketing for a total amount of $49.3 million (FY26) and $53.1 million (FY27).

Mr. Hannemann seconded the motion.

Ms. Kahoʻohanohano conducted the vote, and responses were as follows:

> Chair Miyasato Aye,
> Vice-Chair Agas Aye with reservations that Mr. Arakawa would also get clarity on supplemental information,
> Mr. Arakawa Nay because he believed the original budget was justified,
> Mr. Pfund Aye,
> Mr. Hann Aye.

The motion was carried.

Chair Miyasato thanked everyone for their commitment and participation and appreciated everyone's input.

5. Adjournment

The meeting was adjourned at 3:55 p.m.

Respectfully submitted,

Sheillane Reyes

____

Sheillane Reyes
Recorder