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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1785, H.D. 1

February 23, 2022
2:00 p.m.
Room 308 and Videoconference

RELATING TO TOURISM GOVERNANCE

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

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

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

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

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

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

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

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

Thank you for your consideration of our comments.



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**TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE HOUSE COMMITTEE
ON
FINANCE
FEBRUARY 23, 2022, 2:00 PM**

**HOUSE BILL 1785, HD1
RELATING TO TOURISM GOVERNANCE**

Chair Luke, Vice-Chair Yamashita, and members of the committee, thank you for the opportunity to submit testimony on House Bill 1785, HD1. The State Procurement Office (SPO) opposes the exemption language on page 11, SECTION 5, lines 13 to 15 set forth highlighted below.

“SECTION 5. The legislative reference bureau may contract the services of a consultant or consultants to perform all or some of the duties required in this Act with the funds appropriated in section 4 of this Act. Any procurement of services pursuant to this Act shall be exempt from chapter 103D, Hawaii Revised Statutes.”

The SPO objects to the procurement exemption and testifies that any procurement for this project should be competitively procured.

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

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

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

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

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

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

Thank you.

Charlotte A. Carter-Yamauchi
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Written Comments

HB1785 HD1 RELATING TO TOURISM GOVERNANCE

Charlotte A. Carter-Yamauchi, Director
Legislative Reference Bureau

Presented to the House Committee on Finance

Wednesday, February 23, 2022, 2:00 p.m.
Conference Room 308
Via Teleconference

Chair Luke and Members of the Committee:

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

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

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

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

state and county levels of government. The measure then requires the Bureau to submit a final report of potential options for the Legislature for consideration no later than twenty days prior to the convening of the Regular Session of 2025. Finally, the measure allows the Bureau to contract the services of a consultant or consultants to perform all or some of the duties required with the funds appropriated in measure. Any procurement of services pursuant to the measure would be exempt from Chapter 103D, Hawaii Revised Statutes, to facilitate securing the services of a consultant able to complete the requested study within the specified timeframe.

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

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

Thank you again for the opportunity to submit written comments.



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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES

Hawai'i Tourism Authority
before the
COMMITTEE ON FINANCE

February 23, 2022
2:00 p.m.
State Capitol
via videoconference

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

Aloha Chair Luke, Vice Chair Yamashita, and members of the Committee on Finance.

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

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

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

HB-1785-HD-1

Submitted on: 2/22/2022 5:51:03 PM

Testimony for FIN on 2/23/2022 2:00:00 PM

| Submitted By | Organization | Testifier Position | Remote Testimony Requested |
|---------------|--------------|--------------------|----------------------------|
| Colin D Moore | Individual | Support | No |

Comments:

House Bill No. 1785, Relating to Tourism Governance

Position: STRONG SUPPORT

Aloha Chair Luke, Vice Chair Yamashita, and Committee Members:

I am Colin Moore, Director of the Public Policy Center at the University of Hawai‘i at Mānoa.

I strongly support HB1785. It is consistent with recent calls by several university faculty and tourism experts for a study to examine emerging tourism governance systems around the world and to better understand what might work here in Hawai‘i. To ensure a comprehensive study, I hope you will consider an appropriation of at least \$1,000,000.

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

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

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

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

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

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

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

HB1785 calls for analysis of systems developed or proposed elsewhere. It also asks for the development of three possible systems for consideration by the 2025 Legislature.

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

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

Finally, HB1785 is necessary because of the complex local context for any proposed system of tourism governance.

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

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

For these reasons, I urge you to support HB1785 and to provide at least \$1,000,000 to fund the study. It will provide us with the data we need to ensure that Hawai'i's tourism industry works for visitors and residents in the decades to come.

Thank you for the opportunity to provide testimony.