



The Senate

State Capitol
Honolulu, Hawai'i 96813

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HB2010 HD1 SD1 THRUSTS ACCOUNTABILITY ON HTA

HONOLULU, Hawai'i – The Senate Committee on Ways and Means passed [HB2010 HD1 SD1](#) on Tuesday which attempts to address accountability issues raised during an audit of the Hawai'i Tourism Authority (HTA) and procure a responsible approach to planning and protecting Hawai'i's infrastructure and natural resources by renaming the Convention Center Enterprise Special Fund to the Convention Center Operations and Maintenance Special Fund, to make it clear that the Convention Center monies and HTA's operations should not be co-mingled. It also repeals the allocation of transient accommodations tax revenues to that fund, amends the allowable uses of that fund, and adds a cap to the amount of moneys deposited into the fund.

Recognizing the important marketing efforts of the HTA, the current marketing budget of the HTA remains unamended. However, the measure was modified to address the specific needs of agencies that work with, or are impacted by, the tourism industry, which will better ensure that those specific needs are properly addressed in a timely manner. Rather than requiring one agency to address the impacts of tourism on state infrastructure and natural resources, allocating the funds directly to those with proper expertise will allow for a more efficient and effective remedy to specific issues that have arisen due to the large number of visitors to the State.

[HB2010 HD1 SD1](#) appropriates the following amounts to HTA's operations:

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| \$6 million | Convention Center operations |
| \$2.8 million | Administrative expenses (status quo) |
| \$49.2 million | Marketing (status quo) |
| \$2.5 million | Research (status quo) |
| <u>\$5.8 million</u> | Sports marketing (status quo) |

\$66.3 million

“Tourism has grown significantly and HTA has taken a piecemeal approach to sustaining our environment, keeping tourists safe, developing tomorrow's workforce, and preserving our culture. There is no

comprehensive action plan. About 40% of HTA’s budget pays for programs and grants outside of marketing Hawai‘i to tourists. They have no in-house expertise to evaluate grant applications, nor a process for getting experts into their Advisory Groups. In many instances, HTA uses tax dollars to hire consultants to vet grant applications that staff cannot manage,” said Senator Glenn Wakai, Chair of the Committee on Economic Development, Tourism, and Technology.

In an effort to put resources into the proper hands, HB2010 HD1 SD1 proposes re-appropriating funds to programs with a nexus to economic development and tourism. This will also benefit HTA by allowing them to focus on marketing:

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| \$16.5 million | DBEDT – To encourage the diversification of our economy through tourism |
| \$3.5 million | DOE - To ignite and cultivate interest in pursuing careers in hospitality |
| \$7.9 million | UH and Community Colleges – To expand hospitality workforce development |
| \$3 million | UH Athletics – To subsidize student travel as ambassadors of Aloha |
| \$9.6 million | DLNR – For lifeguards, maintenance of parks, trails, restrooms, small boat harbors, aquatic resources, and marine management |
| \$3 million | (Current DLNR funding in statute) |
| \$8 million | Four Counties - To address visitor safety |
| <u>\$8 million</u> | Grants: Hawaiian cultural initiatives, product development, and tourism related funds as determined by the Legislature |
| \$59.5 million | |

In Summary:

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| \$141.4 million | Current HTA Base Budget |
| \$66.3 million | New HTA base budget |
| \$59.5 million | Nexus funded programs |
| \$15.6 million | General Fund (Convention Center savings due to paying off all bond debt) |

The proposed amendments in HB2010 HD1 SD1 provides more oversight and accountability by lawmakers by addressing several of the areas reported in February 2018 by the State Auditor including an inability to define needs, monitor contracts, and evaluate the impact of its expenditures.

The audit pointed to a number of deficiencies with the management of the HTA including lax oversight, deficient internal controls, failed to enforce contract terms, disregarded its own procurement policies, awarding sole source contracts based on questionable justifications, paying contractors without existing contracts, voluntarily waiving ownership of intellectual property, shifted expenses to other budget lines, and lacks the rigor to manage and oversee contracts. To view the report: [Management Audit of the Hawai‘i Tourism Authority](#)

“Allowing the HTA's budget to remain status quo only condones the undisciplined spending pointed out by the audit,” said Sen. Wakai. “This bill injects accountability into an agency that denies any shortcomings and continues to shirk its responsibility to the public. In passing HB2010 HD1 SD1, Senators feel an obligation to guard the public's money rather than ignore the agency's "haphazard approach to procurement.”