
A BILL FOR AN ACT

RELATING TO INNOVATIVE BUSINESS INTERACTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that innovative business
2 growth in Hawaii requires that relationships be established
3 between investors and innovative talent. To accomplish this,
4 opportunities for capital and talent to interact must be
5 provided. The legislature has been informed that such
6 opportunities need not occur at trade, scientific, commercial,
7 or technology-focused events. For example, the "South by
8 Southwest" event in Austin, Texas, is primarily a music
9 festival. An ancillary effect, however, is that "South by
10 Southwest" also serves as a venue of interaction for persons
11 interested in investing in innovative businesses and persons
12 seeking capital for such businesses. Hawaii has hosted events
13 of similar type that may serve as the foundation for innovative
14 business interaction. This Act enables the State to contract
15 with the organizer of an annual event in Hawaii to add a
16 component that encourages the interaction of innovative business
17 investors and talent.



1 The purpose of this Act is to promote economic development.

2 More specifically, this Act:

3 (1) Establishes an innovative business interaction program
4 under the department of business, tourism, and
5 economic development to increase the opportunity for
6 interaction between innovative business investors and
7 innovative business talent from out-of-state and in-
8 state; and

9 (2) Increases the transient accommodations tax revenues
10 deposited into the tourism special fund to provide
11 funds for the program.

12 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:

15 "§201- Innovative business interaction program for
16 investors and talent. (a) For the purposes of this section:

17 "Event organizer" or "organizer" means a person who
18 organizes and operates a cultural, art, entertainment, culinary,
19 or athletic event annually in Hawaii that attracts visitors and
20 residents.



1 "Innovative business" means a business that is engaged or
2 intending to engage in providing a service or manufacturing a
3 product, wholly or partially in Hawaii, using a technology or
4 scientific technique that improves efficiency, cost-
5 effectiveness, or sustainability.

6 "Innovative business investor" means an individual who
7 invests or is a principal or employee of an entity that invests
8 in innovative businesses.

9 "Innovative business talent" means an individual who is a
10 principal or employee of an innovative business.

11 "Principal" means a director, partner, sole proprietor,
12 officer, or manager of a business.

13 (b) The department shall use its funds to increase the
14 opportunity for out-of-state and in-state innovative business
15 investors and talent to personally meet and interact with each
16 other. To achieve this purpose, the department shall contract
17 with an organizer of a cultural, art, entertainment, culinary,
18 or athletic event held annually in Hawaii and marketed outside
19 and inside Hawaii to add an interaction component designed and
20 operated to be especially attractive, overtly or subtly, to
21 innovative business investors and innovative business talent.



1 The interaction component may be provided in a social or
2 entertainment setting, without any formal educational or
3 commercial program, and open to all event attendees.

4 Beginning July 1, 2015, of the revenues received by the
5 department pursuant to section 237D-6.5(b)(2)(B), \$500,000 or so
6 much as may be necessary shall be expended by the department for
7 the innovative business interaction program established under
8 this section.

9 (c) The department shall award one contract to a single
10 event organizer for a term of five years, commencing from 2015,
11 with an option for the department to extend the contract for a
12 subsequent five-year period. Under the contract, the department
13 shall require the organizer to add the interaction component
14 described under subsection (b) to the same event annually. The
15 department shall award the contract in accordance with chapter
16 103D to an event organizer that meets the requirements of
17 subsection (d). The department shall include terms and
18 conditions in the contract that are not in conflict with this
19 section.

20 (d) An event organizer shall qualify for the contract
21 under this section if:



- 1 (1) The organizer or a predecessor has held the
2 organizer's event in Hawaii annually from 2011 to
3 2015; provided that an organizer that, on July 1,
4 2015, has scheduled, but not yet held, the event in
5 2015 shall be deemed to comply with this paragraph;
6 (2) The event held by the organizer has attracted visitors
7 from out-of-state, as well as residents of Hawaii;
8 (3) The event is held over at least a consecutive three-
9 day period; and
10 (4) The organizer commits to publicizing or marketing the
11 event internationally and nationally as well as
12 locally.

13 The department may require the organizer to comply with
14 other criteria that are not inconsistent with this section.

15 (e) The Hawaii tourism authority shall assist the
16 department in all aspects of the innovative business interaction
17 program.

18 (f) The department shall include in its annual report to
19 the legislature a section on the innovative business interaction
20 program.



1 (g) Before the regular session of 2021, the department
2 shall submit to the governor and legislature a report on the
3 impact, benefit, and cost of the innovative business interaction
4 program. The department shall include in the report a
5 recommendation on whether the program should be continued beyond
6 2021, with or without modification, or be repealed."

7 SECTION 3. Section 237D-6.5, Hawaii Revised Statutes, is
8 amended by amending subsection (b) to read as follows:

9 "(b) Revenues collected under this chapter shall be
10 distributed as follows, with the excess revenues to be deposited
11 into the general fund:

12 (1) \$26,500,000 shall be allocated to the convention
13 center enterprise special fund established under
14 section 201B-8;

15 (2) [~~\$82,000,000~~] \$82,500,000 shall be allocated to the
16 tourism special fund established under section 201B-
17 11; provided that:

18 (A) Beginning on July 1, 2012, and ending on June 30,
19 2015, \$2,000,000 shall be expended from the
20 tourism special fund for development and
21 implementation of initiatives to take advantage



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1 of expanded visa programs and increased travel
2 opportunities for international visitors to
3 Hawaii;

4 (B) Of the [~~\$82,000,000~~] \$82,500,000 allocated:

5 (i) \$1,000,000 shall be allocated for the
6 operation of a Hawaiian center and the
7 museum of Hawaiian music and dance at the
8 Hawaii convention center; and

9 (ii) 0.5 per cent of the [~~\$82,000,000~~]
10 \$82,500,000 shall be transferred to a sub-
11 account in the tourism special fund to
12 provide funding for a safety and security
13 budget, in accordance with the Hawaii
14 tourism strategic plan 2005-2015; and

15 (C) Of the revenues remaining in the tourism special
16 fund after revenues have been deposited as
17 provided in this paragraph and except for any sum
18 authorized by the legislature for expenditure
19 from revenues subject to this paragraph,
20 beginning July 1, 2007, funds shall be deposited
21 into the tourism emergency trust fund,



1 established in section 201B-10, in a manner
2 sufficient to maintain a fund balance of
3 \$5,000,000 in the tourism emergency trust fund;
4 (3) \$103,000,000 for fiscal year 2014-2015, \$103,000,000
5 for fiscal year 2015-2016, and \$93,000,000 for each
6 fiscal year thereafter shall be allocated as follows:
7 Kauai county shall receive 14.5 per cent, Hawaii
8 county shall receive 18.6 per cent, city and county of
9 Honolulu shall receive 44.1 per cent, and Maui county
10 shall receive 22.8 per cent; provided that commencing
11 with fiscal year 2018-2019, a sum that represents the
12 difference between a county public employer's annual
13 required contribution for the separate trust fund
14 established under section 87A-42 and the amount of the
15 county public employer's contributions into that trust
16 fund shall be retained by the state director of
17 finance and deposited to the credit of the county
18 public employer's annual required contribution into
19 that trust fund in each fiscal year, as provided in
20 section 87A-42, if the respective county fails to



1 remit the total amount of the county's required annual
2 contributions, as required under section 87A-43;

3 (4) \$3,000,000 shall be allocated to the Turtle Bay
4 conservation easement special fund established under
5 section 201B-8.6 for the payment of debt service on
6 revenue bonds, the proceeds of which were used to
7 acquire the conservation easement in Turtle Bay, Oahu,
8 until the bonds are fully amortized; and

9 (5) Of the excess revenues deposited into the general fund
10 pursuant to this subsection, \$3,000,000 shall be
11 allocated subject to the mutual agreement of the board
12 of land and natural resources and the board of
13 directors of the Hawaii tourism authority in
14 accordance with the Hawaii tourism authority strategic
15 plan for:

16 (A) The protection, preservation, and enhancement of
17 natural resources important to the visitor
18 industry;

19 (B) Planning, construction, and repair of facilities;
20 and



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1 SECTION 6. This Act shall take effect on July 1, 2015.

2

INTRODUCED BY:

~~ATD~~

Gregory T. Johnson

OL

~~ASD~~

ASD

Theresa A. [Signature]

John M. [Signature]

JAN 23 2015



H.B. NO. 716

Report Title:

Innovative Business Interaction Program; Establishment;
Department of Business, Economic Development, and Tourism;
Hawaii Tourism Authority; Appropriation

Description:

Establishes an innovative business interaction program under DBEDT, with the assistance of the Hawaii tourism authority. Increases the transient accommodations tax revenues deposited into the tourism special fund by an amount to be used for the program.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT &
BUSINESS**
And the
HOUSE COMMITTEE ON TOURISM

Friday, February 13, 2015
9:00 AM
State Capitol, Conference Room 312
in consideration of
HB 716

RELATING TO INNOVATIVE BUSINESS INTERACTION.

Chairs Kawakami and Brower, Vice Chairs Kong and Ohno, and Members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of this bill which seeks to establish an innovative business interaction program for investors and innovative talent, bringing international attention to Hawaii as a hub for Innovation and Creative Industries. We defer to the State Procurement Office (SPO) in regards to areas of concern in the language of the measure and support their recommendations.

DBEDT's Creative Industries Division (CID) and attached agencies have the expertise to capitalize on existing and newly developed innovation initiatives to develop, manage and launch such an effort for our State.

This past year, DBEDT has held strategic discussions with industry to build a strong foundation for the creation of Hawaii's own South By Southwest (SXSW), resulting in the convergence of Hawaii's innovation economy sectors of Technology, Energy, Creative Media, Film, Music, Design and Fashion clustered during the Fall timeframe.

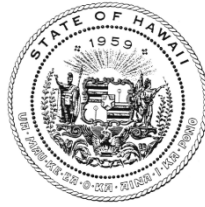
DBEDT's Creative Lab and HI Growth Initiative, together with Blue Startups' East Meets West Conference (EMW), Hawaii International Film Festival (HIFF), Hawaii Academy of Recording Arts (HARA), Honolulu Fashion Week/Month, and GVS Transmedia Accelerator's Showcase have planted the seeds of an **innovation-focused** business interaction program. Harnessing the collective power of these programs, coupled with other events during the fall timeframe including the Honolulu Biennial, Pacific Islanders in Communications' (PIC) Hawaiian Media Makers Conference, an effective program has the potential to grow to a world-class destination event.

Music industry related initiatives in the Spring such as Mele Mai, the Hoku Awards and HARA have the potential for a similar effort supporting both tourism and business development for our State.

DBEDT welcomes the opportunity to work with the Legislature, the business and investment community and tourism sectors to establish the framework, messaging and marketing to attract global interest and showcase Hawaii as an innovation and creative business hub of the Pacific.

However, we defer to HTA on the proposed means of financing this program.

Thank you for the opportunity to testify on this measure.



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
ECONOMIC DEVELOPMENT AND BUSINESS
AND
TOURISM

FEBRUARY 13, 2015, 9:00 A.M.

HOUSE BILL 716
RELATING TO INNOVATIVE BUSINESS INTERACTION

Chairs Kawakami and Brower, Vice-Chairs Kong and Ohno, and members of the committee, thank you for the opportunity to submit testimony on HB716. The State Procurement Office's (SPO) testimony is limited to Section 2.

The SPO opposes the language in Section 2(c) page 4, lines 9-14, and lines 20-21, page 5, lines 1-14. The language in this section is unnecessarily restrictive of competition by statutorily setting forth minimum qualification criteria that may be construed as having the appearance of favoring one specific organizer. Minimum qualification and evaluation criteria for award should be delineated in the solicitation document itself in accordance with the applicable method of procurement (i.e., Request for Competitive Sealed Proposal (RFP)) and not in statute. The current language in this bill is contrary to §3-122-13, Hawaii Administrative Rules, where specification should identify the minimum requirements and allow for competition.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in award contracts.

The SPO recommend the following changes:

(c) ~~The department shall award one contract to a single event organizer for a term of five years, commencing 2015, with an option for the department to extend the contract for a subsequent five-year period. Under the contract, the department shall require the organizer to add the interaction component described under subsection (b) to the same event annually. The department shall award the contract in accordance with chapter 103D. to an event organizer that needs the requirement of subsection (d). The department shall include terms and conditions in the contract that are not in conflict with this section.~~

~~(d) An event organizer shall qualify for the contract under this section if:~~

~~(1) The organizer or predecessor has held the organizer's event in Hawaii annually from 2011 to 2015; provided that an organizer that, on July 1, 2015 has scheduled, but not yet held, the event in 2015 shall be deemed to comply with this paragraph;~~

~~(2) The event held by the organizer has attracted visitors from out-of-state, as well as residents of Hawaii;~~

~~(3) The event is held over at least a consecutive three-day period; and~~

~~(4) The organizer commits to publicizing or marketing the event internationally and nationally as well as locally.~~

~~The department may require the organizer to comply with other criteria that are not inconsistent with this section.~~

Thank you.

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON ECONOMIC DEVELOPMENT AND
BUSINESS AND TOURISM
ON
HOUSE BILL NO. 716

February 13, 2015

LATE

RELATING TO INNOVATIVE BUSINESS INTERACTION

House Bill No. 716 establishes an Innovative Business Interaction Program under the Department of Business, Economic Development and Tourism, with assistance from the Hawaii Tourism Authority. The bill also increases the Transient Accommodations Tax revenues deposited into the Tourism Special Fund by \$500,000 to be used to fund the Innovative Business Interaction Program.

The Department of Budget and Finance is concerned that this measure would divert \$500,000 per year from the general fund. This diversion is not accounted for in the Administration's general fund financial plan.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEES ON ECONOMIC DEVELOPMENT & BUSINESS
AND
TOURISM

Friday, February 13, 2015
9:00 a.m.

State Capitol, Conference Room 312
In consideration of

HB716 RELATING TO INNOVATIVE BUSINESS INTERACTION.

Chairs Kawakami and Brower, Vice Chairs Kong and Ohno, and Members of the Committees on Economic Development & Business and Tourism.

The High Technology Development Corporation (HTDC) **supports the intent** of HB716 relating to establishing an innovative business interaction program under Department of Business, Economic Development and Tourism (DBEDT).

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at improving Hawaii's reputation as a place for innovation and a place to do business. An innovative business interaction event with the spirit of the South by Southwest would build on the current efforts of HTDC, DBEDT, and DBEDT attached agencies. In 2015, HTDC sponsored 14 tech related events with over 2,000 participants. Similarly, HTDC was a sponsor for the Made in Hawaii festival which drew over 40,000 people in a single weekend. Bringing attention to innovation at this scale would not only improve our reputation as innovators, but has the potential to impact our culture and inspire future generations.

HTDC defers to the appropriate Departments regarding the procurement, cost, and administration of the program. Thank you for the opportunity to offer these comments.



HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION

Written Statement of

KARL FOOKS
President

Hawaii Strategic Development Corporation

Before the
COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

And the
COMMITTEE ON TOURISM

February 13, 2015
9:00 AM
State Capitol, Conference Room 312

In consideration of
HB 716 RELATING TO INNOVATIVE BUSINESS INTERACTION.

Chair Kawakami, Chair Brower, Members of the Committee on Economic Development and Business and Members of the Committee on Tourism:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits testimony in support of HB 716, legislation that establishes an innovative business interaction program for investors and innovative talent. Comments are also provided.

This legislation aligns with the HI Growth Initiative's efforts to develop local entrepreneurial talent in high growth sectors and connect and network them with investment capital to grow and scale profitable businesses in Hawaii.

However, in order for the proposed program to take root and have an economic impact in Hawaii, Hawaii businesses and Hawaii-based investors must be important contributors and participants of any events organized through the program. Continued support of the innovation ecosystem, through efforts like the HI Growth Initiative, is needed to create a critical mass of Hawaii businesses and to attract investors to Hawaii.

Thank you for the opportunity to provide testimony.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for innovative business interaction program



BILL NUMBER: SB 721; HB 716 (Identical)

INTRODUCED BY: SB by Baker and Wakai; HB by McKelvey, Kawakami, Luke, Mizuno, Nishimoto, Takayama and 1 Democrat

EXECUTIVE SUMMARY: This bill adjusts earmarks on the transient accommodations tax (TAT) that feed various special funds. Earmarks decrease transparency and accountability of government operations and should be avoided.

BRIEF SUMMARY: Amends HRS section 237D-6.5(b)(2) to increase the amount of transient accommodations tax (TAT) allocated to the tourism special fund from \$82,000,000 to \$82,500,000.

Appropriates \$500,000 out of the tourism special fund in fiscal 2016 to the innovative business interaction program.

Adds a new section to HRS chapter 201B to establish an innovative business interaction program for investors and talent.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: Currently, TAT revenues are allocated as follows: (1) \$26.5 million is deposited into the convention center enterprise special fund; (2) \$82 million is deposited into the tourism special fund; (3) \$103 million is transferred to the various counties; (4) \$3 million is for debt service of the Turtle Bay conservation easement; and (5) any remaining revenues deposited into the general fund of which \$3 million is allocated in accordance with the Hawaii tourism authority strategic plan. The proposed measure would increase the amount of TAT revenues allocated to the tourism special fund by \$500,000 and then appropriate the same amount to the innovative business interaction program to increase the interaction of business investors and talent.

The proposed measure would add another siphon of TAT revenues, and would perpetuate the earmarking of TAT revenues for activities other than tourism. If there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state's economy. But visitors also contribute to state coffers directly through the taxes on everything they purchase in Hawaii including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay for other "visitor related" programs, then paying for those programs out of general funds would be more appropriate than stealing the money from what is identified as a tax paid specifically by the visitor.

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for these programs that not only benefit the visitors but the community at large, decreases transparency and accountability.

Finally, it should be remembered that revenues earmarked into a special fund, in this case the tourism special fund, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/5/15