
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 SECTION 1. The legislature finds that the focal points of
2 Hawaii's economic policy have remained the same for decades:
3 maximize visitor arrivals and spending, encourage strong
4 construction and real estate industries, increase federal
5 funding for military and civilian projects, monitor tax revenues
6 and their impact on public sector employment, and maintain
7 consistent job growth to keep the unemployment level low.
8 Although these economic policies are still significant to the
9 State's economic development and health, new economic objectives
10 are needed in addition to these traditional policies for Hawaii
11 to succeed in what is today characterized as the "global
12 innovation economy."

13 The innovation economy requires learning to function in a
14 world that is more technologically advanced, more global, and
15 more knowledge-intensive. In *A New Economy in Hawaii 2005*
16 *Indicators and Recommendations* published by the Hawaii Institute
17 for Public Affairs, five policy objectives are identified and



1 recommended for Hawaii to compete in the global marketplace.

2 These policy objectives are:

- 3 (1) Quickly develop high technology industries consisting
4 of profitable and sustainable companies;
- 5 (2) Maximize competitiveness and overall efficiency by
6 infusing all industries with technology;
- 7 (3) Prepare, employ, and retain a strong workforce for the
8 global economy;
- 9 (4) Create a pervasive culture of innovation, initiative,
10 and enterprise; and
- 11 (5) Help Hawaii companies survive and thrive in the global
12 economy.

13 These new economic policy objectives require proper measurements
14 to enable the State to set benchmarks and goals for Hawaii to
15 grow and prosper in today's global economy.

16 Between 1998 and 2003, City Bank and *Hawaii Business*
17 magazine targeted nine emerging industries in Hawaii, which
18 represented a combined total of \$2,700,000,000 in expenditures
19 and thousands of new jobs. The combined total growth
20 projections of these emerging industries are roughly comparable
21 to the impact and magnitude of Hawaii's tourism industry and
22 should be measured and developed as an equally significant



1 pillar of Hawaii's economy. With a growing emphasis on
2 stewardship and sustainability from a land use, resource
3 allocation, and developmental perspective, Hawaii cannot afford
4 to continue relying so heavily upon a dominant industry that
5 depends almost exclusively upon fossil fuel-burning
6 transportation (e.g., airline transportation) as the primary
7 means by which Hawaii's millions of visitors arrive.

8 Currently, the State does not have a consistent means of
9 tracking progress, setting goals, and creating policies to
10 achieve global innovation economy objectives. Data such as
11 service exports, training and education outside of the
12 traditional school system, self-sufficiency wages, job creation,
13 impact of business tax credits, and quality of life indicators
14 all can be used to establish new economic goals and determine
15 priorities for public investments in workforce development and
16 emerging industries development.

17 The purpose of this Act is to require the department of
18 business, economic development, and tourism to collect, analyze,
19 and disseminate appropriate data to measure the growth
20 industries that have the potential to transform Hawaii's economy
21 and to accelerate their development into more robust pillars of
22 Hawaii's society.



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

4 "§201- Research and statistics for growth industries.

5 (a) The department shall maintain a program for the purpose of:

6 (1) Measuring and analyzing new economic development
7 trends within growth industries such as:

8 (A) Ocean sciences and technology;

9 (B) Biotechnology and life sciences;

10 (C) Astronomy;

11 (D) Technology and information services;

12 (E) Film and creative media;

13 (F) Diversified agriculture;

14 (G) Aquaculture; and

15 (H) Specialty tourism;

16 (2) Providing economic information to policy makers, the
17 public, and the various growth industries under
18 paragraph (1) for use in setting policies, objectives,
19 and goals. This includes collecting, analyzing, and
20 publishing available data on an annual basis relating
21 but not limited to:



- 1 (A) Economic diversification, income and income
2 distribution, and issues and measures of the
3 State's natural resources in relation to state
4 sustainable economy goals;
- 5 (B) The technology sector of the State, including but
6 not limited to defining the sector, estimating
7 employment, and compiling available information
8 on patents registered in Hawaii;
- 9 (C) Technology change in the economy, including but
10 not limited to technical jobs outside the
11 technology sector, and the changing applications
12 of technology in the private economy and
13 government;
- 14 (D) The technology-based workforce, including but not
15 limited to management, technical, and
16 professional jobs, and technology education and
17 training;
- 18 (E) Innovation and enterprise, including but not
19 limited to available information on startup
20 companies, venture capital investment, private
21 and government research and development



1 activities, small business innovation research
2 grants, and technology licensing;

3 (F) The dollar value of research and development
4 conducted at, or in association with, the
5 University of Hawaii;

6 (G) Global connections, including but not limited to
7 diversification of export and visitor markets,
8 foreign business travel, and the manufacturing of
9 export products; and

10 (H) Venture capital investments in Hawaii, including
11 but not limited to the size of local venture
12 investments and their annual growth.

13 (b) The department shall submit to the legislature no
14 later than twenty days prior to the convening of each regular
15 legislative session, a written performance report on the impact
16 of activities of the department and attached agencies that
17 demonstrate their efforts to support, promote, and facilitate
18 the expansion and long-term viability of emerging growth
19 industries including those identified in subsection (a)(1)."

20 SECTION 3. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$150,000 or so much
22 thereof as may be necessary for fiscal year 2007-2008 and the



1 sum of \$250,000 or so much thereof as may be necessary for
2 fiscal year 2008-2009 for additional resources, including two
3 permanent full-time equivalent (2.00 FTE) economist positions in
4 the department of business, economic development, and tourism.
5 The purpose of the appropriation is to improve the State's
6 ability to measure the productivity of and progress toward
7 achieving innovation in Hawaii's economy, and to assess the
8 effectiveness of measures enacted by the legislature to improve
9 Hawaii's economic situation.

10 The sums appropriated shall be expended by the department
11 of business, economic development, and tourism for the purposes
12 of this Act.

13 SECTION 4. New statutory material is underscored.

14 SECTION 5. This Act shall take effect on July 1, 2007.



S.B. NO. 709
S.D. 2
H.D. 1
C.D. 1

Report Title:

Measurement Criteria; Economic Development Benchmarks

Description:

Requires the department of business, economic development, and tourism to investigate, collect, analyze, and publish research and data to track economic progress and aid in the development and economic health of growth industries. Appropriates funds for additional resources, including two permanent full-time equivalent economist positions in the department of business, economic development, and tourism to improve the State's ability to measure progress toward achieving innovation in Hawaii's economy, and to assess the effectiveness of measures enacted by the legislature to improve Hawaii's economic situation. (CD1)

