

JAN 24 2013

A BILL FOR AN ACT

RELATING TO THE HI GROWTH INITIATIVE.

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

1 SECTION 1. The legislature finds that the State has a
2 public interest in diversifying our economy and promoting the
3 development of high-growth, entrepreneurial businesses. Job
4 creation is at the top of every state's policy agenda. Recent
5 reports from the National Governors Association have highlighted
6 the importance of focusing on fostering an entrepreneurial
7 environment and supporting high growth businesses as a proven
8 approach to creating high wage jobs.

9 Successful economic development outcomes in other states
10 have demonstrated the effectiveness of a comprehensive state-
11 level program that can engage an entrepreneurial ecosystem to
12 support the continuum of entrepreneurialism, commercialization,
13 and business formation capabilities needed to foster high-growth
14 businesses. This comprehensive program must have the input and
15 support from the key stakeholders in the entrepreneurial
16 ecosystem: private industry, investors, the universities, and
17 government. Finally, this comprehensive program must have

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1 sufficient resources to provide the pace and scale of investment
2 needed to make the program transformative.

3 This Act provides a \$20,000,000 appropriation to the Hawaii
4 strategic development corporation to implement an investment
5 program, the HI growth initiative, that will be used to catalyze
6 and leverage key entrepreneurial initiatives that private
7 industry and the university are pursuing independently.

8 This program builds on the Hawaii strategic development
9 corporation's previous experience managing the State's venture
10 capital investment program, the follow-on funding program, the
11 launch akamai venture accelerator program funded by the
12 legislature in the previous fiscal year (Act 170, Session Laws
13 of Hawaii 2012) and the venture fund of funds investment program
14 funded by the United States Department of the Treasury's State
15 Small Business Credit Initiative.

16 The financing resources provided by this Act will allow the
17 Hawaii strategic development corporation to implement
18 initiatives structured to mobilize and attract entrepreneurial
19 talent and private capital to Hawaii's high-growth business
20 opportunities. This will allow the State to leverage and
21 benefit from the resources and business acumen of the private
22 sector.

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1 There are three important objectives of the HI growth
2 initiative:

3 (1) Support the establishment of an entrepreneurial
4 ecosystem that will provide mentoring, collaboration,
5 and funding opportunities for Hawaii entrepreneurs to
6 establish and scale their business ventures;

7 (2) Actively partner research commercialization activities
8 with state and private industry programs to establish
9 high-growth businesses; and

10 (3) Network Hawaii's high-growth businesses into the
11 broader universe of mainland and international
12 investment funds active in the sectors important to
13 Hawaii.

14 In this way, Hawaii entrepreneurs will be able to
15 commercialize their intellectual property, access business
16 mentors and customers to start their businesses, network with
17 global investors to benefit from the domain expertise of
18 experienced investors, and gain access to follow-on capital for
19 expansion.

20 The purpose of this Act is to provide the funding and the
21 coordination to implement the recommendations of the governor's
22 New Day Plan to reinvigorate state efforts to fuel an innovation

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1 economy and advance research innovation and commercialization.
2 These recommendations are supported by the final report from the
3 University of Hawaii's innovation council and by an overview of
4 Hawaii's innovation economy by the high technology development
5 corporation.

6 SECTION 2. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$10,000,000 or so
8 much thereof as may be necessary for fiscal year 2013-2014 and
9 \$10,000,000 or so much thereof as may be necessary for fiscal
10 year 2014-2015 for an investment program to develop and
11 strengthen the core capabilities of entrepreneurialism,
12 commercialization, and business formation in order that Hawaii
13 can be home to globally competitive high-growth companies;
14 provided that up to \$500,000 in each fiscal year shall be
15 reserved and expended for program development, program
16 management, and oversight of program awardees.

17 The Hawaii strategic development corporation shall submit a
18 report to the legislature no later than twenty days prior to the
19 regular session of 2014 and annually thereafter on the specific
20 annual outcome achieved through the activities and expenditures
21 of the HI growth initiative.

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Report Title:

Hawaii Strategic Development Corporation; HI Growth Initiative

Description:

Appropriates funds to the Hawaii Strategic Development Corporation for the HI Growth Initiative, an investment program to develop an ecosystem to support high-growth entrepreneurial companies in the State. Effective July 1, 2013.

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

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE HI GROWTH INITIATIVE.

PURPOSE: To provide a \$20,000,000 appropriation, over two fiscal years, for the Hawaii Strategic Development Corporation to implement an investment program designed to catalyze and leverage targeted private sector entrepreneurial initiatives.

MEANS: An appropriation of general funds totaling \$10,000,000 in fiscal year 2013-2014 and \$10,000,000 in fiscal year 2014-2015 to the Hawaii Strategic Development Corporation Revolving Fund created under chapter 211F, Hawaii Revised Statutes.

JUSTIFICATION: The purpose of this bill is to provide the funding and coordination to implement the recommendations contained in the Governor's New Day Plan to reinvigorate state efforts to fuel an innovation economy.

Recent reports from the National Governors Association have highlighted the importance of focusing on fostering an entrepreneurial ecosystem and supporting high growth businesses as a proven approach to creating high wage jobs. Successful economic development outcomes in other states have demonstrated the effectiveness of a comprehensive state-level program that can engage an entrepreneurial ecosystem to support private sector investment in the entrepreneurialism, commercialization, and business formation capabilities need to foster high growth businesses. Finally, the program must have sufficient resources to provide the pace and scale of investment need to make the program transformative.

The proposed legislation will allow the Hawaii Strategic Development Corporation to implement an investment program that will mobilize and attract entrepreneurial talent and private capital to Hawaii's high growth business opportunities. There are three important objectives for this investment program:

1. Support the establishment of an entrepreneurial ecosystem that provides mentoring, collaboration and funding opportunities for Hawaii entrepreneurs to establish and scale their business ventures;
2. Actively partner research commercialization activities with State and private industry programs to establish high growth businesses; and
3. Network Hawaii's high growth businesses into the broader universe of mainland and international investment funds active in the sectors important to Hawaii.

This bill also includes resources for the Hawaii Strategic Development Corporation to provide program development, program management, and oversight of program awardees.

Impact on the public: The program will provide high wage job opportunities to the citizens of Hawaii by promoting entrepreneurship and innovation. Supporting entrepreneurial high growth businesses will create new engines of economic growth and help to diversify the state's economy.

Impact on the department and other agencies: Will provide a point of coordination and potential partnerships for other agencies to utilize in their outreach efforts with their private sector industry clients.

GENERAL FUND: \$20,000,000.

OTHER FUNDS: Hawaii Strategic Development Corporation
Revolving Fund.

PPBS PROGRAM
DESIGNATION: BED 145.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: July 1, 2013.