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

17           The purpose of this Act is to promote economic development  
18 by:



- 1 (1) Establishing an innovative business interaction
- 2 program under the Hawaii tourism authority to increase
- 3 the opportunity for interaction between innovative
- 4 business investors and innovative business talent from
- 5 out-of-state and in-state; and
- 6 (2) Increasing the transient accommodations tax revenues
- 7 deposited into the tourism special fund to provide
- 8 funds for the program.

9 SECTION 2. Chapter 201B, Hawaii Revised Statutes, is  
10 amended by adding a new section to part I to be appropriately  
11 designated and to read as follows:

12 **"§201B- Innovative business interaction program for**  
13 **investors and talent.** (a) For the purpose of this section:

14 "Event organizer" or "organizer" means a person who  
15 organizes and operates a cultural, art, entertainment, culinary,  
16 or athletic event held annually in Hawaii and marketed both  
17 within and outside of the State that attracts visitors and  
18 residents.

19 "Innovative business" means a business that is engaged or  
20 intending to engage in providing a service or manufacturing a  
21 product, wholly or partially in Hawaii, using a technology or



1 scientific technique that improves efficiency, cost-  
2 effectiveness, or sustainability.

3 "Innovative business investor" means an individual who  
4 invests or is a principal or employee of an entity that invests  
5 in an innovative business.

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

8 "Principal" means a director, partner, sole proprietor,  
9 officer, or manager of a business.

10 (b) The authority shall use a portion of its funds to  
11 increase the opportunity for out-of-state and in-state  
12 innovative business investors and innovative business talent to  
13 personally meet and interact with each other. To achieve this  
14 purpose, the authority shall contract with an event organizer to  
15 add to its event an interaction component designed and operated  
16 to be especially attractive, overtly or subtly, to innovative  
17 business investors and innovative business talent. The  
18 interaction component may be provided in a social or  
19 entertainment setting, without any formal educational or  
20 commercial program and may be open to all event attendees.

21 Beginning July 1, 2014, of the revenues received by the  
22 authority pursuant to section 237D-6.5(b)(2)(B), \$500,000 or so



1 much as may be necessary shall be expended by the authority for  
2 the innovative business interaction program established under  
3 this section.

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

15 (d) An event organizer may qualify for the contract  
16 awarded under this section if:

17 (1) The organizer, or any successor who assumes control of  
18 the event, has held the event in Hawaii annually from  
19 2010 to 2014; provided that an organizer that, on July  
20 1, 2014, has scheduled, but not yet held, the event in  
21 2014 shall be deemed to comply with this paragraph;



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

3       (3) The event is held for at least three consecutive days;  
4           and

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

8       The authority may require the organizer to comply with  
9       other criteria that are not inconsistent with this section.

10       (e) The authority shall include in its annual report to  
11       the legislature a section on the innovative business interaction  
12       program.

13       (f) Before the regular session of 2020, the authority  
14       shall submit to the governor and legislature a report on the  
15       impact, benefit, and cost of the innovative business interaction  
16       program. The authority shall recommend in the report whether  
17       the program should be continued beyond 2020, with or without  
18       modification, or be repealed."

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



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

4           (1) \$33,000,000 shall be allocated to the convention  
5 center enterprise special fund established under  
6 section 201B-8;

7           (2) [~~\$82,000,000~~] \$ \_\_\_\_\_ shall be allocated to the  
8 tourism special fund established under section 201B-  
9 11; provided that:

10           (A) Beginning on July 1, 2012, and ending on June 30,  
11 2015, \$2,000,000 shall be expended from the  
12 tourism special fund for development and  
13 implementation of initiatives to take advantage  
14 of expanded visa programs and increased travel  
15 opportunities for international visitors to  
16 Hawaii;

17           (B) Of the [~~\$82,000,000~~] \$ \_\_\_\_\_ allocated:

18           (i) \$1,000,000 shall be allocated for the  
19 operation of a Hawaiian center and the  
20 museum of Hawaiian music and dance at the  
21 Hawaii convention center; [~~and~~]



1 (ii) 0.5 per cent of the [~~\$82,000,000~~]  
2 \$ \_\_\_\_\_ shall be transferred to a sub-  
3 account in the tourism special fund to  
4 provide funding for a safety and security  
5 budget, in accordance with the Hawaii  
6 tourism strategic plan 2005-2015; and

7 (iii) Beginning on July 1, 2014, \$500,000 shall be  
8 expended annually for an innovative business  
9 interaction program, pursuant to section  
10 201B- \_\_\_\_\_ ; and

11 (C) Of the revenues remaining in the tourism special  
12 fund after revenues have been deposited as  
13 provided in this paragraph and except for any sum  
14 authorized by the legislature for expenditure  
15 from revenues subject to this paragraph,  
16 beginning July 1, 2007, funds shall be deposited  
17 into the tourism emergency trust fund,  
18 established in section 201B-10, in a manner  
19 sufficient to maintain a fund balance of  
20 \$5,000,000 in the tourism emergency trust fund;

21 (3) \$93,000,000 shall be allocated as follows: Kauai  
22 county shall receive 14.5 per cent, Hawaii county



1 shall receive 18.6 per cent, city and county of  
2 Honolulu shall receive 44.1 per cent, and Maui county  
3 shall receive 22.8 per cent; provided that commencing  
4 with fiscal year 2018-2019, a sum that represents the  
5 difference between a county public employer's annual  
6 required contribution for the separate trust fund  
7 established under section 87A-42 and the amount of the  
8 county public employer's contributions into that trust  
9 fund shall be retained by the state director of  
10 finance and deposited to the credit of the county  
11 public employer's annual required contribution into  
12 that trust fund in each fiscal year, as provided in  
13 section 87A-42, if the respective county fails to  
14 remit the total amount of the county's required annual  
15 contributions, as required under section 87A-43; and  
16 (4) Of the excess revenues deposited into the general fund  
17 pursuant to this subsection, \$3,000,000 shall be  
18 allocated subject to the mutual agreement of the board  
19 of land and natural resources and the board of  
20 directors of the Hawaii tourism authority in  
21 accordance with the Hawaii tourism authority strategic  
22 plan for:





1 (A) The protection, preservation, and enhancement of  
2 natural resources important to the visitor  
3 industry;

4 (B) Planning, construction, and repair of facilities;  
5 and

6 (C) Operation and maintenance costs of public lands  
7 connected with enhancing the visitor experience.

8 All transient accommodations taxes shall be paid into the  
9 state treasury each month within ten days after collection and  
10 shall be kept by the state director of finance in special  
11 accounts for distribution as provided in this subsection.

12 As used in this subsection, "fiscal year" means the twelve-  
13 month period beginning on July 1 of a calendar year and ending  
14 on June 30 of the following calendar year."

15 SECTION 4. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall take effect on July 1, 2050.



**Report Title:**

Innovative Business Interaction Program; Establishment; Hawaii  
Tourism Authority; Appropriation

**Description:**

Establishes an innovative business interaction program under the  
Hawaii tourism authority. Increases the transient  
accommodations tax revenues deposited into the tourism special  
fund for expenditures for the program. Effective July 1, 2050.  
(SB3081 HD1)

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not legislation or evidence of legislative intent.*

