

SB3081

Measure Title: RELATING TO ECONOMIC DEVELOPMENT.

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 by an amount to be used for the program.

Current Referral: TSM/EGH, WAM

Introducer(s): IGE, BAKER, ESPERO, GREEN, KIDANI, Dela Cruz, Kouchi, Ruderman



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Richard C. Lim
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON TOURISM
and the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT
OPERATIONS AND HOUSING**

Wednesday, February 12, 2014

3:00 PM

State Capitol, Conference Room 229

in consideration of
SB 3081
RELATING TO ECONOMIC DEVELOPMENT.

Chairs Kahele and Dela Cruz, Vice Chairs Keith-Agaran and Slom, and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports SB 3081, legislation establishing an innovative business interaction program for investors and innovative talent.

Hawaii's established industries are maturing. There is a strategic need to develop new growth sectors for the State's economy. DBEDT's mission to nurture a Hawaii economy that embraces innovation and is globally competitive, thus providing high-wage job opportunities for all of Hawaii's citizens.

A key component to this mission is establishing relationships between investors and innovative talent, and to build connections to global markets.

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 in any events organized through the program. Continued support of the State's core efforts to develop an innovation ecosystem – the Broadband, HI Growth, and Clean Energy Initiatives – is needed to create a critical mass of Hawaii businesses and to attract investors to Hawaii.

Thank you for the opportunity to offer these comments.



Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. No. 3081
Relating to Economic Development
Senate Committee on Tourism
Senate Committee on Economic Development, Government Operations and Housing
Wednesday, February 12, 2014
3:00 p.m.
Conference Room 229

The Hawaii Tourism Authority (HTA) supports S.B. 3081, which establishes a business interaction program in the HTA to develop synergy between an event organizer and innovative businesses to improve the economic opportunities in Hawaii.

Among the strategic directions for the HTA outlined in the Hawaii Tourism Strategic Plan are:

- Growing the meetings market by focusing on carefully selected target customers;
- Creating a “dual brand” for Hawaii with a business image that coexists with a successful leisure travel brand; and
- Utilizing events and promotions to engage prospective customers.

Hawaii occupies a unique position in the world market with the ability to be the bridge between the western world and the emerging economies of Asia. The recent APEC meeting showed that Hawaii can establish an environment where the businesses and economies can interact to encourage the formation of innovative business outcomes.

The concept proposed in S.B. 3081 is similar to the program which established South by Southwest, which grew from a film festival into a collection of events that include an interactive conference for innovative businesses, entrepreneurs, and investors. By establishing the authority to implement a similar program, S.B. 3081

allows HTA to utilize Hawaii's unique geographic location to expand the scope of one of its events to provide an environment for innovative businesses and investors to come together and create new opportunities.

For these reasons we support S.B 3081.

Thank you for the opportunity to offer these comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for innovative business interaction program

BILL NUMBER: SB 3081

INTRODUCED BY: Ige, Baker, Espero, Green, Kidani and 3 Democrats

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 2015 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, 2014

STAFF COMMENTS: Currently, TAT revenues are allocated as follows: (1) \$33 million is deposited into the convention center enterprise special fund; (2) \$82 million is deposited into the tourism special fund; (3) \$93 million is transferred to the various counties; and (4) any remaining revenues deposited into the general fund. 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 benefit the community at large is an abdication on the part of the legislature to set priorities among general fund resources and is an indication that the legislature truly does not believe this is an important enough issue to set aside state appropriations to address.

Digested 2/10/14



HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION

Written Statement of

KARL FOOKS

President

Hawaii Strategic Development Corporation

Before the

COMMITTEE ON TOURISM

And the

COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS & HOUSING

February 12, 2014

3:00 PM

State Capitol, Conference Room 229

In consideration of

SB 3081 RELATING TO ECONOMIC DEVELOPMENT

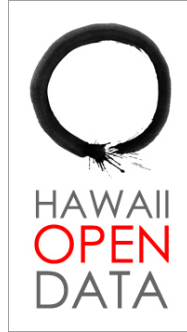
Chair Kahele, Chair Dela Cruz, Members of the Committee on Tourism and Members of the Committee on Economic Development, Government Operations & Housing:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits testimony in support of SB 3081, 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 a profitable business 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.



February 12, 2014

Senator Gilbert Kahele, Chair (TSM)
Senator Gilbert Keith-Agaran, Vice Chair
Senator Donovan Dela Cruz, Chair (EGH)
Senator Sam Slom, Vice Chair

Committee: Testimony to the Senate Committee on Tourism
and Senate Committee on Economic Development, Government Operations and
Housing

Bill No. & Title: SB3081, Relating to Economic Development

Date, Time: Wednesday, February 12, 2014, 3:00 p.m.
Place: State Capitol, Conference Room 226

Chair Gilbert Kahele, Vice Chair Gilbert Keith-Agaran and Members of the Committee on
Tourism

Chair Donovan Dela Cruz, Vice Chair Sam Slom and Members of the Committee Economic
Development, Government Operations and Housing:

I am Burt Lum, Executive Director of Hawaii Open Data, a non-profit dedicated to advancing
open data principles in Hawaii and creating collaborative environments that foster civic
innovation. Formed in 2012, we focus on improving data accessibility and integrity in support of
public/private collaboration, government transparency and civic engagement.

Hawaii Open Data **strongly supports SB3081, Relating to Economic Development**. There is
growing environment in Hawaii for entrepreneurship, collaboration and tech innovation. Programs
like Blue Startups, Startup Weekend, Makerfaire and Hawaii Open Data's Celerator series for
civic app development are fertile grounds for new company formation.

These startups need exposure to the larger ecosystem of investors, partners and markets. Much
like SXSW Interactive in Austin, TX, Hawaii could play host to an event that not only attracts
keynotes and panels but gives local companies the opportunity to showcase their innovations to

a broader marketplace. The opportunity to interact with peers both local, from the Mainland and abroad could yield unintended benefits far beyond financial.

I would recommend the following as modifications to the bill. Instead of being administered solely under the Hawaii Tourism Authority (HTA), the program would be jointly managed by HTA and the High Tech Development Corporation (HTDC). HTDC has historically been involved with fostering and developing Hawaii's technology community. They would be a key stakeholder in bringing the community together to create a successful event.

Also I would strongly recommend that the money not come from raising the TAT but instead come from existing TAT monies. The requested \$500K per year (over a 5 year period) is a small percentage of the overall TAT total. HOD advocates for **no tax increases** to support this initiative.

Thank you for the opportunity to submit testimony on this bill.

Burt Lum
Executive Director

February 10, 2014

Senator Gilbert Kahele, Chair (TSM)
Senator Gilbert Keith-Agaran, Vice Chair
Senator Donovan Dela Cruz, Chair (EGH)
Senator Sam Slom, Vice Chair

Committee: Testimony to the Senate Committee on Tourism
and Senate Committee on Economic Development, Government Operations and
Housing

Bill No. & Title: SB3081, Relating to Economic Development

Date, Time: Wednesday, February 12, 2014, 3:00 p.m.
Place: State Capitol, Conference Room 226

Chair Gilbert Kahele, Vice Chair Gilbert Keith-Agaran and Members of the Committee on
Tourism
Chair Donovan Dela Cruz, Vice Chair Sam Slom and Members of the Committee Economic
Development, Government Operations and Housing:

I am Forest Frizzell, I've been active in the tech industry and have tried to support entrepreneurs
and tech startups for a number of years. Among other things, I currently co-host a monthly meet
up for entrepreneurs to pitch their business ideas and network.

I strongly supports SB3081, Relating to Economic Development. There is growing
environment in Hawaii for entrepreneurship, collaboration and tech innovation. Programs like
Blue Startups, Startup Weekend, Makerfaire and Hawaii Open Data's Celerator series for civic
app development are futile grounds for new company formation.

These startups need exposure to the larger ecosystem of investors, partners and markets.
Much like SXSW Interactive in Austin, TX, Hawaii could play host to an event that not only
attracts keynotes and panels but gives local companies the opportunity to showcase their
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come from existing TAT monies. The requested \$500K per year (over a 5 year period) is a small

percentage of the overall TAT total. HOD advocates for no tax increases to support this initiative.

Thank you for the opportunity to submit testimony on this bill.

Forest Frizzell
Active Citizen

Senator Gilbert Kahele, Chair (TSM)
Senator Gilbert S.C. Keith-Agaran Vice Chair
Senator David Ige, Chair (WAM)
Senator Michelle Kidani, Vice Chair
Senator Donovan Dela Cruz, Chair (EGH)
Senator Sam Slom, Vice Chair

Committees: Testimony to the Senate Committees on Tourism,
Ways and Means, Economic Development

Bill No. & Title: SB3081, Relating to Economic Development

Date, Time: Wednesday, February 12, 2014

Place: State Capitol, Conference Room 226

Chair Kahale, Vice Chair Keith-Agaran and Members of the
Committee on Tourism

Chair Ige, Vice Chair Kidani and Members of the Committee on Ways
and Means

Chair Dela Cruz, Vice Chair Slom and Members of the Committee of
Economic Development

I am Tara Coomans, immediate past President of Social Media Club
Hawaii and a founding member of Hawaii Innovation Alliance (HIA)
and a Code for America Brigade member. I am also a communicator
and an engaged citizen.

I support SB3081, Relating to Economic Development.

Hawaii's technology community remains a diverse group of
collaborative individuals and groups represented by the events and
organizations such as Startup Weekend, Social Media Club of Hawaii,
Hawaii Innovation Alliance and more. An event which brings together
the passion and creativity of these groups, and others, would
showcase Hawaii both as a place of innovation and a place of
creativity which stands to benefit the state at large.

The time is right for an event such as this. Hawaii and its businesses should be celebrated for its contributions to technology and innovation and over the last several years. With the welcomed support of the legislature for advances such as OIMT and Open Data the technology and innovation community has created a groundswell of community and collaboration; this event has the potential to showcase that groundswell.

There are several modifications I would suggest:

- 1) The bill currently requires that the “Event planner” have previous experience operating a “cultural, art, entertainment, culinary or athletic event annually in Hawaii that attracts visitors and residents.” Notably absent from this list are event planners and innovation community members who are implementing and planning events in the technology or innovation field. The requirements of an interactive event will be distinct from the requirements of planning a “cultural, art, entertainment, culinary or athletic event annually in Hawaii.” Instead, **I recommend that requiring that the “Event organizer(s)” be able to show ties to “innovative business investors”, and “innovative business talent” both inside Hawaii and outside of Hawaii.**
- 2) **I also recommend removal of the language that requires the “Event Organizer” has held an event in Hawaii from 2010-2014 and instead recommend that the “Event organizer(s)” be based in Hawaii as a full-time resident(s) with experience in planning and/or advising technology and/or innovation events.**
- 3) As the bill is currently written, there is no technology stakeholder, but rather the event will be administered by the Hawaii Tourism Authority (HTA). With all due respect to HTA, the organization is not currently heavily involved nor a substantial supporter of, and remains disconnected from the technology and innovation community. I support and welcome the incorporation of HTA, but **I also recommend that the event be jointly administered with the High Tech Development Corporation (HTDC) to serve as a technology stakeholder in the administration of the event.**
- 4) Finally, the bill currently funds the event through an increase in the TAT. However, the requested \$500K (per year) is a relatively

small percentage of the TAT. **I recommend that the funding come from existing TAT.**

Thank you for the opportunity to submit testimony on this bill.

Tara Coomans

From: mailinglist@capitol.hawaii.gov
To: [TSMTestimony](#)
Cc: bentut@gmail.com
Subject: Submitted testimony for SB3081 on Feb 12, 2014 15:00PM
Date: Thursday, February 06, 2014 1:11:55 PM

SB3081

Submitted on: 2/6/2014

Testimony for TSM/EGH on Feb 12, 2014 15:00PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Ben Trevino	Individual	Support	No

Comments: One thing we're all familiar with is how hard our geography makes it for people to just "pass through". Those passing encounters with people with great ideas that stick with a place or with the local talent are huge drivers of innovation, in my opinion. Innovation is critical for our economic future, so supporting the things that drive it are essential.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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