



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

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Statement of
Richard C. Lim
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 20, 2014

9:05 AM

State Capitol, Conference Room 211

in consideration of

SB 3081

RELATING TO ECONOMIC DEVELOPMENT.

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

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of 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 is 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. An example of this is DBEDT's Creative Lab Initiative and Hawaii Fashion Month which integrates creative and tech sectors.

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. DBEDT supports this initiative, provided the appropriation does not replace or negatively impact the Administration's budget request.

Thank you for the opportunity to offer these comments.



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Neil Abercrombie
Governor

Mike McCartney
President and Chief Executive Officer



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 Ways and Means
Thursday, February 20, 2014
9:05 a.m.
Conference Room 211

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

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TAX FOUNDATION OF HAWAII

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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 WAYS & MEANS

February 20, 2014
9:05 AM
State Capitol, Conference Room 211

In consideration of
SB 3081 RELATING TO ECONOMIC DEVELOPMENT

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

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.



Founded by Creative Industries-State of Hawaii and the Hawaii International Film Festival

February 10, 2014

Dear Senator Ige:

I am excited to hear about your commitment to create Hawaii's version of SxSW. This is something from which the residents and businesses of Hawaii would greatly benefit, and it is something that we have been building toward via the State of Hawaii's Creative Industries Division, along with local arts and culture non-profits, which resulted in the launch of Creative Lab in partnership with the Hawaii International Film Festival, the Hawaii Association of Recording Artists, and industry organizations such as the Writers Guild of America, Producers Guild of America, Screen Actors Guild, amongst others. Technology companies which participated included Yahoo and Google.

Having been a producer on such global events as the United Nations' 60th Anniversary of the Declaration Human Rights, Millennium Live: Ringing in 2000 Across the Globe, The Academy Awards, and on teams that produced national events such as the Producers Guild of America Awards, We Are the World, and Hands Across America; I want to make sure that the monies that will be allocated for the creation of this festival will be served in the best way possible.

As you know, SxSW began in 1987 as small, local music and cultural festival. It grew to what it is today by involving local small technology businesses, arts and culture non-profits, the University of Texas Austin, and eventually the City of Austin.

Many of those elements are already in place with Creative Lab. The program, which has been held during the Hawaii International Film Festival, integrates all facets of creative and technology clusters, thus laying the foundation for Hawaii's version of SxSW.

Given your passion for innovation, technology and entrepreneurship, I applaud your vision and urge you to identify funds for not only HTA but DBEDT who together have the expertise necessary to undertake the magnitude of such an effort to develop and sustain a landmark program which is dedicated to empowering local industry while attracting the best minds in the business to participate.

I look forward to meeting with you to share the full vision of Creative Lab and the potential collaboration between all parties. I appreciate your time and consideration.

Best,

A handwritten signature in black ink, appearing to read "Michael Palmieri".

Michael Andres Palmieri
Director, Creative Lab

Co-Founder and Past Chairman, Producers Guild of America – New Media Council

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB3081 on Feb 20, 2014 09:05AM*
Date: Tuesday, February 18, 2014 10:44:28 AM

SB3081

Submitted on: 2/18/2014

Testimony for WAM on Feb 20, 2014 09:05AM in Conference Room 211

| Submitted By | Organization | Testifier Position | Present at Hearing |
|-----------------------|---------------------|---------------------------|---------------------------|
| Javier Mendez-Alvarez | Individual | Oppose | No |

Comments:

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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