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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 identifying new engines of economic growth  
3 that create high-wage jobs. Ensuring that Hawaii residents have  
4 access to increased and diversified opportunities for high-wage  
5 employment contributes to improved living standards for all our  
6 citizens. This important economic policy objective was  
7 formalized in 2014 in Act 133 that amended the state economic  
8 policy objectives to include the promotion of innovation and  
9 entrepreneurship within Hawaii in order to transform our State  
10 into a place that welcomes and facilitates innovative activity.

11           The State, through the HI Growth Initiative, has supported  
12 the establishment of an innovation ecosystem that promotes the  
13 development of high-growth entrepreneurial businesses. This  
14 public private investment program, based on best practices that  
15 have proven effective in other states, has gained traction and  
16 is beginning to see success. From virtually nothing four years  
17 ago, the innovation ecosystem today includes six startup  
18 accelerators - three of which have received national recognition

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1 from the United States Small Business Administration and one  
2 ranked number seventeen nationally - five Hawaii-based venture  
3 capital funds, coworking spaces, business incubation,  
4 commercialization programs and a full calendar of events and  
5 programming geared toward developing more entrepreneurs. Hawaii  
6 now ranks twelfth in the nation on the Kauffman Foundation's  
7 analysis of startup growth, just below New York and above  
8 California.

9 Hawaii's business community has identified innovation as a  
10 sector that would greatly benefit from increased investment. A  
11 recent report sponsored by the Hawaii Business Roundtable noted  
12 that the innovation sector today makes up 7.3 per cent of the  
13 economy and called for continued efforts to grow this sector.  
14 Innovation sector workers earn higher than average wages and  
15 economic research indicates that these jobs generate greater  
16 demand for other jobs in the economy. A report sponsored by the  
17 Oahu Economic Development Board provided specific  
18 recommendations to advance Hawaii's economic transformation,  
19 including a call for dedicated funding streams for initiatives  
20 that contribute to the infrastructure, talent development and  
21 capital needs of the innovation ecosystem. The Chamber of  
22 Commerce of Hawaii has called for additional resources to

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1 address the need for increased mentoring, business development,  
2 and private-public capital to support new businesses.

3       The purpose of this Act is to provide the funding and  
4 coordination necessary to implement the recommendation of the  
5 governor to establish Hawaii as the innovation center of the  
6 Pacific. This Act provides an appropriation to the Hawaii  
7 strategic development corporation to continue programs under the  
8 HI Growth Initiative that support entrepreneurial development,  
9 fill financing gaps and build out our innovation ecosystem.  
10 Maintaining the continuity and momentum of current efforts is  
11 essential to fully developing this new growth sector for the  
12 long term.

13       SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
14 amended by adding to part IV a new section to be appropriately  
15 designated and to read as follows:

16       "§235-   Disposition of taxes. Of the taxes deposited to  
17 the state general fund pursuant to section 235-119 each fiscal  
18 year beginning July 1, 2016, and ending June 30, 2021, the first  
19 \$5,000,000 shall be transferred into the Hawaii strategic  
20 development corporation revolving fund established pursuant to  
21 section 211F-5."

22       SECTION 3. New statutory material is underscored.

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Section 4. This Act, upon its approval, shall take effect  
on July 1, 2016.

INTRODUCED BY:   
BY REQUEST

JAN 25 2016

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**Report Title:**

Hawaii Strategic Development Corporation; HI Growth Initiative

**Description:**

Allocates \$5,000,000 of the Corporation Income Tax collected each year for five year to the Hawaii Strategic Development Corporation Revolving Fund for the HI Growth Initiative, an investment program to develop an ecosystem to support high-growth entrepreneurial companies in the State. Effective July 1, 2016.

*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 consistent, five-year funding source for the HI Growth Initiative, the State's investment program to catalyze and leverage targeted private sector entrepreneurial initiatives.

MEANS: Add a new section to part IV of chapter 235, Hawaii Revised Statutes.

JUSTIFICATION: The purpose of this bill is to provide the funding and coordination to implement the recommendation of the Governor to transform Hawaii into a State that welcomes innovation and entrepreneurship. Recent reports from both the Hawaii Business Roundtable and Enterprise Honolulu have highlighted the need to continue the HI Growth Initiative as a catalyst for public private initiatives that contribute to the infrastructure, talent development and capital needs of the innovation ecosystem.

Impact on the public: Funding the HI Growth Initiative 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: \$5,000,000

OTHER FUNDS: Hawaii Strategic Development Corporation  
Revolving Fund.

PPBS PROGRAM  
DESIGNATION: BED 145.

OTHER AFFECTED  
AGENCIES: Department of Taxation; and Department of  
Budget and Finance.

EFFECTIVE DATE: July 1, 2016.