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# A BILL FOR AN ACT

RELATING TO INNOVATIVE BUSINESS INTERACTION.

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

18           The purpose of this Act is to promote economic development.



1 More specifically, this Act:

- 2 (1) Establishes an innovative business interaction program  
3 under the department of business, economic  
4 development, and tourism to increase the opportunity  
5 for interaction between innovative business investors  
6 and innovative business talent from out-of-state and  
7 in-state; and
- 8 (2) Increases the transient accommodations tax revenues  
9 deposited into the tourism special fund to provide  
10 funds for the program.

11 SECTION 2. Chapter 201, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 **"§201- Innovative business interaction program for**  
15 **investors and talent.** (a) For the purposes of this section:

16 "Event organizer" or "organizer" means a person who  
17 organizes and operates a cultural, art, entertainment, culinary,  
18 or athletic event annually in Hawaii that attracts visitors and  
19 residents.

20 "Innovative business" means a business that is engaged or  
21 intending to engage in providing a service or manufacturing a



1 product, wholly or partially in Hawaii, using a technology or  
2 scientific technique that improves efficiency, cost-  
3 effectiveness, or sustainability.

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

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

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

11 (b) The department shall use its funds to increase the  
12 opportunity for out-of-state and in-state innovative business  
13 investors and talent to personally meet and interact with each  
14 other. To achieve this purpose, the department shall contract  
15 with an organizer of a cultural, art, entertainment, culinary,  
16 or athletic event held annually in Hawaii and marketed outside  
17 and within Hawaii to add an interaction component designed and  
18 operated to be especially attractive, overtly or subtly, to  
19 innovative business investors and innovative business talent.  
20 The interaction component may be provided in a social or



1 entertainment setting, without any formal educational or  
2 commercial program, and open to all event attendees.

3 Beginning July 1, 2015, of the revenues received by the  
4 department pursuant to section 237D-6.5(b)(2)(B), \$500,000 or so  
5 much as may be necessary shall be expended by the department for  
6 the innovative business interaction program established under  
7 this section.

8 (c) The department shall award the contract in accordance  
9 with chapter 103D. The department shall include terms and  
10 conditions in the contract that are not in conflict with this  
11 section.

12 (d) The Hawaii tourism authority shall assist the  
13 department in all aspects of the innovative business interaction  
14 program.

15 (e) The department shall include in its annual report to  
16 the legislature a section on the innovative business interaction  
17 program.

18 (f) Before the regular session of 2021, the department  
19 shall submit to the governor and legislature a report on the  
20 impact, benefit, and cost of the innovative business interaction  
21 program. The department shall include in the report a



1 recommendation on whether the program should be continued beyond  
2 2021, with or without modification, or be repealed."

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

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

8 (1) \$26,500,000 shall be allocated to the convention  
9 center enterprise special fund established under  
10 section 201B-8;

11 (2) [~~\$82,000,000~~] \$82,500,000 shall be allocated to the  
12 tourism special fund established under section  
13 201B-11; provided that:

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

21 (B) Of the [~~\$82,000,000~~] \$82,500,000 allocated:



- 1 (i) \$1,000,000 shall be allocated for the
- 2 operation of a Hawaiian center and the
- 3 museum of Hawaiian music and dance at the
- 4 Hawaii convention center; ~~and~~
- 5 (ii) 0.5 per cent of the [~~\$82,000,000~~]
- 6 \$82,500,000 shall be transferred to a sub-
- 7 account in the tourism special fund to
- 8 provide funding for a safety and security
- 9 budget, in accordance with the Hawaii
- 10 tourism strategic plan 2005-2015; and
- 11 (iii) \$500,000 shall be allocated for the
- 12 innovative business interaction program; and
- 13 (C) Of the revenues remaining in the tourism special
- 14 fund after revenues have been deposited as
- 15 provided in this paragraph and except for any sum
- 16 authorized by the legislature for expenditure
- 17 from revenues subject to this paragraph,
- 18 beginning July 1, 2007, funds shall be deposited
- 19 into the tourism emergency trust fund,
- 20 established in section 201B-10, in a manner



1                   sufficient to maintain a fund balance of  
2                   \$5,000,000 in the tourism emergency trust fund;  
3       (3)   \$103,000,000 for fiscal year 2014-2015, \$103,000,000  
4                   for fiscal year 2015-2016, and \$93,000,000 for each  
5                   fiscal year thereafter shall be allocated as follows:  
6                   Kauai county shall receive 14.5 per cent, Hawaii  
7                   county shall receive 18.6 per cent, city and county of  
8                   Honolulu shall receive 44.1 per cent, and Maui county  
9                   shall receive 22.8 per cent; provided that commencing  
10                  with fiscal year 2018-2019, a sum that represents the  
11                  difference between a county public employer's annual  
12                  required contribution for the separate trust fund  
13                  established under section 87A-42 and the amount of the  
14                  county public employer's contributions into that trust  
15                  fund shall be retained by the state director of  
16                  finance and deposited to the credit of the county  
17                  public employer's annual required contribution into  
18                  that trust fund in each fiscal year, as provided in  
19                  section 87A-42, if the respective county fails to  
20                  remit the total amount of the county's required annual  
21                  contributions, as required under section 87A-43;



- 1           (4) \$3,000,000 shall be allocated to the Turtle Bay  
2           conservation easement special fund established under  
3           section 201B-8.6 for the payment of debt service on  
4           revenue bonds, the proceeds of which were used to  
5           acquire the conservation easement in Turtle Bay, Oahu,  
6           until the bonds are fully amortized; and
- 7           (5) Of the excess revenues deposited into the general fund  
8           pursuant to this subsection, \$3,000,000 shall be  
9           allocated subject to the mutual agreement of the board  
10          of land and natural resources and the board of  
11          directors of the Hawaii tourism authority in  
12          accordance with the Hawaii tourism authority strategic  
13          plan for:
- 14          (A) The protection, preservation, and enhancement of  
15          natural resources important to the visitor  
16          industry;
- 17          (B) Planning, construction, and repair of facilities;  
18          and
- 19          (C) Operation and maintenance costs of public lands  
20          connected with enhancing the visitor experience.





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

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

8 SECTION 4. There is appropriated out of the tourism  
9 special fund of the State of Hawaii the sum of \$500,000 or so  
10 much thereof as may be necessary for fiscal year 2015-2016 and  
11 the same sum or so much thereof as may be necessary for fiscal  
12 year 2016-2017 for the innovative business interaction program.

13 The sums appropriated shall be expended by the department  
14 of business, economic development, and tourism for the purposes  
15 of this Act.

16 SECTION 5. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 6. This Act shall take effect on July 1, 2015.



**Report Title:**

Innovative Business Interaction Program; Establishment;  
Department of Business, Economic Development, and Tourism;  
Hawaii Tourism Authority; Appropriation

**Description:**

Establishes an innovative business interaction program under DBEDT, with the assistance of 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. (SD1)

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

