

SB 721

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.



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Telephone: (808) 587-4700
e-mail: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
TOURISM AND INTERNATIONAL AFFAIRS

FEBRUARY 6, 2015, 2:45 P.M.

SENATE BILL 721
RELATING TO INNOVATIVE BUSINESS INTERACTION

Chairs Wakai and Kahele, Vice-Chairs Slom and English, and members of the committees, thank you for the opportunity to submit testimony on SB721. The State Procurement Office's (SPO) testimony is limited to Section 2.

The SPO opposes the language in Section 2(c) page 4, lines 9-14, and lines 17-21, page 5, lines 1-14. The language in this section is unnecessarily restrictive of competition by statutorily setting forth minimum qualification criteria that may be construed as having the appearance of favoring one specific organizer. Minimum qualifications and evaluation criteria for award should be delineated in the solicitation document itself in accordance with the applicable method of procurement (i.e., Request for Competitive Sealed Proposal (RFP)) and not in statute. The current language in this bill is contrary to §3-122-13, Hawaii Administrative Rules where specification should identify the minimum requirements and allow for competition.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding contracts.

The SPO recommend the following changes:

~~(c) The department shall award one contract to a single event organizer for a term of five years, commencing 2015, with an option for the department to extend the contract for a subsequent five-year period. Under the contract, the department shall require the organizer to add the interaction component described under subsection (b) to the same event annually. The department shall award the contract in accordance with chapter 103D to an event organizer that needs the requirement of subsection (d). The department shall include terms and conditions in the contract that are not in conflict with this section.~~

~~(d) An event organizer shall qualify for the contract under this section if:~~

~~(1) The organizer or predecessor has held the organizer's event in Hawaii annually from 2011 to 2015; provided that an organizer that, on July 1, 2015 has scheduled, but not yet held, the event in 2015 shall be deemed to comply with this paragraph;~~

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

~~(3) The event is held over at least a consecutive three-day period; and~~

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

~~The department may require the organizer to comply with other criteria that are not inconsistent with this section.~~

Thank you.

((CONTINUATION OF TESTIMONY))



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
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
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON TOURISM AND INTERNATIONAL AFFAIRS
And the
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Friday, February 06, 2015
2:45 PM
State Capitol, Conference Room 016
in consideration of
SB 721

RELATING TO INNOVATIVE BUSINESS INTERACTION

Chairs Kahele and Wakai, Vice Chairs English and Slom, and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of this bill which seeks to establish an innovative business interaction program for investors and innovative talent, bringing international attention to Hawaii as a hub for Innovation and Creative Industries.

DBEDT's Creative Industries Division (CID) and attached agencies have the expertise to capitalize on existing and newly developed innovation initiatives to develop, manage and launch such an effort for our State.

This past year, DBEDT has held strategic discussions with industry to build a strong foundation for the creation of Hawaii's own South By Southwest (SXSW), resulting in the convergence of the Hawaii's innovation economy sectors of Technology, Energy, Creative Media, Film, Music, Design and Fashion clustered during the Fall timeframe.

DBEDT's Creative Lab and HI Growth Initiative together with Blue Startups' East Meets West Conference (EMW), Hawaii International Film Festival (HIFF), Hawaii Academy of Recording Arts (HARA), Honolulu Fashion Week/Month, and GVS Transmedia Accelerator's Showcase have planted the seeds of a business interaction program. Harnessing the collective power of these programs, coupled with other events during the fall timeframe including the Honolulu Biennial, Pacific Islanders in Communications' (PIC) Hawaiian Media Makers Conference, an effective program has the potential to grow to a world-class destination event.

Music industry related initiatives in the Spring such as Mele Mai, the Hoku Awards and HARA have the potential for a similar effort supporting both tourism and business development for our State.

DBEDT welcomes the opportunity to work with the Legislature, business and investment community and tourism sectors to establish the framework, messaging and marketing to attract global interest and showcase Hawaii as an innovation and creative business hub of the Pacific.

However, we defer to the HTA on the proposed means of financing this program.

Thank you for the opportunity to testify on this measure.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEES ON
TOURISM AND INTERNATIONAL AFFAIRS
AND
ECONOMIC DEVELOPMENT & TECHNOLOGY

Friday, February 6, 2015
2:45 p.m.
State Capitol, Conference Room 016
In consideration of

SB721 RELATING TO INNOVATIVE BUSINESS INTERACTION.

Chairs Kahele and Wakai, Vice Chairs English and Slom, and Members of the Committees on Tourism and International Affairs and Economic Development & Technology.

The High Technology Development Corporation (HTDC) **supports the intent** of SB721 relating to establishing an innovative business interaction program under the Department of Business, Economic Development and Tourism (DBEDT).

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at improving Hawaii's reputation as a place for innovation and a place to do business. An innovative business interaction event with the spirit of the South by Southwest would build on the current efforts of HTDC, DBEDT, and DBEDT attached agencies. In 2015, HTDC sponsored 14 tech related events with over 2,000 participants. Similarly, HTDC was a sponsor for the Made in Hawaii festival which drew over 40,000 people in a single weekend. Bringing attention to innovation at this scale would not only improve our reputation as innovators, but has the potential to impact our culture and inspire future generations.

HTDC defers to DBEDT regarding the cost and the administration of the program.

Thank you for the opportunity to offer these comments.



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii tourism authority.org

David Y. Ige
Governor

Ronald Williams
Chief Executive Officer

Testimony of
Ronald Williams
President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. No. 721
Relating to Innovative Interaction
Senate Committee on Economic Development and Technology
Senate Committee on Tourism and International Affairs
Friday, February 6, 2015
2:45 a.m.
Conference Room 016

The Hawai'i Tourism Authority (HTA) supports S.B. 721, which establishes an Innovative Business Interaction Program in the Department of Business, Economic Development and Tourism to increase business opportunities for out-of-state and in-state business investors to meet and interact at an event facilitated utilizing a contracted event organizer.

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 2011 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. 721 is similar to the program which established South by Southwest (SXSW), 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. 721 allows Hawaii 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. 721.

Mahalo for the opportunity to present 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 721; HB 716 (Identical)

INTRODUCED BY: SB by Baker and Wakai; HB by McKelvey, Kawakami, Luke, Mizuno, Nishimoto, Takayama and 1 Democrat

EXECUTIVE SUMMARY: This bill adjusts earmarks on the transient accommodations tax (TAT) that feed various special funds. Earmarks decrease transparency and accountability of government operations and should be avoided.

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 2016 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, 2015

STAFF COMMENTS: Currently, TAT revenues are allocated as follows: (1) \$26.5 million is deposited into the convention center enterprise special fund; (2) \$82 million is deposited into the tourism special fund; (3) \$103 million is transferred to the various counties; (4) \$3 million is for debt service of the Turtle Bay conservation easement; and (5) any remaining revenues deposited into the general fund of which \$3 million is allocated in accordance with the Hawaii tourism authority strategic plan. 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 not only benefit the visitors but the community at large, decreases transparency and accountability.

Finally, it should be remembered that revenues earmarked into a special fund, in this case the tourism special fund, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/5/15