
A BILL FOR AN ACT

RELATING TO THE STRUCTURE OF GOVERNMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 26-18, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) The following are placed in the department of
4 business, economic development, and tourism for administrative
5 purposes as defined by section 26-35: Hawaii community
6 development authority, Hawaii housing finance and development
7 corporation, [~~Hawaii technology development corporation,~~] land
8 use commission, natural energy laboratory of Hawaii authority,
9 and any other boards and commissions as shall be provided by
10 law."

11 SECTION 2. Section 171-2, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§171-2 Definition of public lands.** "Public lands" means
14 all lands or interest therein in the State classed as government
15 or crown lands previous to August 15, 1895, or acquired or
16 reserved by the government upon or subsequent to that date by
17 purchase, exchange, escheat, or the exercise of the right of



1 eminent domain, or in any other manner; including lands accreted
2 after May 20, 2003, and not otherwise awarded, submerged lands,
3 and lands beneath tidal waters that are suitable for
4 reclamation, together with reclaimed lands that have been given
5 the status of public lands under this chapter, except:

6 (1) Lands designated in section 203 of the Hawaiian Homes
7 Commission Act, 1920, as amended;

8 (2) Lands set aside pursuant to law for the use of the
9 United States;

10 (3) Lands being used for roads and streets;

11 (4) Lands to which the United States relinquished the
12 absolute fee and ownership under section 91 of the
13 Hawaiian Organic Act prior to the admission of Hawaii
14 as a state of the United States unless subsequently
15 placed under the control of the board of land and
16 natural resources and given the status of public lands
17 in accordance with the state constitution, the
18 Hawaiian Homes Commission Act, 1920, as amended, or
19 other laws;

20 (5) Lands to which the University of Hawaii holds title;



- 1 (6) Lands to which the Hawaii housing finance and
2 development corporation in its corporate capacity
3 holds title;
- 4 (7) Lands to which the Hawaii community development
5 authority in its corporate capacity holds title;
- 6 (8) Lands to which the department of agriculture holds
7 title by way of foreclosure, voluntary surrender, or
8 otherwise, to recover moneys loaned or to recover
9 debts otherwise owed the department under chapter 167;
- 10 (9) Lands that are set aside by the governor to the Aloha
11 Tower development corporation; lands leased to the
12 Aloha Tower development corporation by any department
13 or agency of the State; or lands to which the Aloha
14 Tower development corporation holds title in its
15 corporate capacity;
- 16 (10) Lands that are set aside by the governor to the
17 agribusiness development corporation; lands leased to
18 the agribusiness development corporation by any
19 department or agency of the State; or lands to which
20 the agribusiness development corporation in its
21 corporate capacity holds title; and



1 (11) ~~[Lands to which the Hawaii technology development~~
2 ~~corporation in its corporate capacity holds title; and~~
3 ~~(12)]~~ Lands to which the department of education holds
4 title;

5 provided that, except as otherwise limited under federal law and
6 except for state land used as an airport as defined in section
7 262-1, public lands shall include the air rights over any
8 portion of state land upon which a county mass transit project
9 is developed after July 11, 2005."

10 SECTION 3. Section 171-64.7, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) This section applies to all lands or interest therein
13 owned or under the control of state departments and agencies
14 classed as government or crown lands previous to August 15,
15 1895, or acquired or reserved by the government upon or
16 subsequent to that date by purchase, exchange, escheat, or the
17 exercise of the right of eminent domain, or any other manner,
18 including accreted lands not otherwise awarded, submerged lands,
19 and lands beneath tidal waters that are suitable for
20 reclamation, together with reclaimed lands that have been given
21 the status of public lands under this chapter, including:



- 1 (1) Land set aside pursuant to law for the use of the
2 United States;
- 3 (2) Land to which the United States relinquished the
4 absolute fee and ownership under section 91 of the
5 Organic Act prior to the admission of Hawaii as a
6 state of the United States;
- 7 (3) Land to which the University of Hawaii holds title;
- 8 (4) Land to which the Hawaii housing finance and
9 development corporation in its corporate capacity
10 holds title;
- 11 (5) Land to which the department of agriculture holds
12 title by way of foreclosure, voluntary surrender, or
13 otherwise, to recover moneys loaned or to recover
14 debts otherwise owed the department under chapter 167;
- 15 (6) Land that is set aside by the governor to the Aloha
16 Tower development corporation; or land to which the
17 Aloha Tower development corporation holds title in its
18 corporate capacity;
- 19 (7) Land that is set aside by the governor to the
20 agribusiness development corporation; or land to which



1 the agribusiness development corporation in its
 2 corporate capacity holds title; and
 3 (8) ~~[Land to which the Hawaii technology development~~
 4 ~~corporation in its corporate capacity holds title; and~~
 5 -9)] Land to which the department of education holds
 6 title."

7 SECTION 4. Section 210-7, Hawaii Revised Statutes, is
 8 amended by amending subsection (b) to read as follows:

9 "(b) Subject to the availability of funds, a request from
 10 the University of Hawaii on behalf of the Hawaii technology
 11 development corporation for a transfer of funds to supplement
 12 appropriations for small business innovation research grants
 13 shall be granted expeditiously. If available funds are
 14 inadequate for a transfer to the ~~[development corporation,]~~
 15 university, the director shall advise the ~~[development~~
 16 ~~corporation]~~ university that a transfer will be made when
 17 sufficient funds are available in the Hawaii capital loan
 18 revolving fund."

19 SECTION 5. Section 227D-2, Hawaii Revised Statutes, is
 20 amended by amending subsection (b) to read as follows:



1 "(b) The governing body of the authority shall consist of
2 a board of directors having thirteen voting members. [~~Three~~
3 Five members from the general public shall be appointed by the
4 governor for staggered terms pursuant to section 26-34, except
5 that one of these members shall be a resident of the county of
6 Hawaii. The members shall be selected on the basis of their
7 knowledge, interest, and proven expertise in, but not limited
8 to, one or more of the following fields: finance, commerce and
9 trade, corporate management, marketing, economics, engineering,
10 energy management, real estate development, property management,
11 aquaculture, and ocean science. The chairperson and secretary
12 of the research advisory committee shall serve on the board.
13 The director of business, economic development, and tourism, the
14 chairperson of the board of land and natural resources, the
15 president of the University of Hawaii, and the mayor of the
16 county of Hawaii, [~~an appointed member from the board of the
17 Hawaii technology development corporation, and an appointed
18 member from the board of the Hawaii strategic development
19 corporation,~~] or their designated representatives, shall serve
20 as ex officio, voting members of the board. The tenants of the
21 authority shall elect two members to the board from among the



1 tenants of the authority, of which one member shall serve a two-
2 year term, and one member shall serve a four-year term. In
3 electing the tenant members, each tenant shall be entitled to
4 cast one vote for each member position. The tenant members
5 shall be recused from voting on setting lease rents, water
6 rates, or utility rates, but may participate in discussions.
7 The director of business, economic development, and tourism
8 shall serve as the chairperson until such time as a chairperson
9 is elected by the board from the membership. The board shall
10 elect other officers as it deems necessary."

11 SECTION 6. Section 237-24.7, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "§237-24.7 Additional amounts not taxable. In addition to
14 the amounts not taxable under section 237-24, this chapter shall
15 not apply to:

16 (1) Amounts received by the operator of a hotel from the
17 owner of the hotel or from a time share association,
18 and amounts received by the suboperator of a hotel
19 from the owner of the hotel, from a time share
20 association, or from the operator of the hotel, in
21 amounts equal to and [~~which~~] that are disbursed by the



1 operator or suboperator for employee wages, salaries,
 2 payroll taxes, insurance premiums, and benefits,
 3 including retirement, vacation, sick pay, and health
 4 benefits. As used in this paragraph:

5 "Employee" means employees directly engaged in
 6 the day-to-day operation of the hotel and employed by
 7 the operator or suboperator.

8 "Hotel" means an operation as defined in section
 9 445-90 or a time share plan as defined in section
 10 514E-1.

11 "Operator" means any person who, pursuant to a
 12 written contract with the owner of a hotel or time
 13 share association, operates or manages the hotel for
 14 the owner or time share association.

15 "Owner" means the fee owner or lessee under a
 16 recorded lease of a hotel.

17 "Suboperator" means any person who, pursuant to a
 18 written contract with the operator, operates or
 19 manages the hotel as a subcontractor of the operator.

20 "Time share association" means an "association"
 21 as that term is defined in section 514E-1;



1 (2) Amounts received by the operator of a county
2 transportation system operated under an operating
3 contract with a political subdivision, where the
4 political subdivision is the owner of the county
5 transportation system. As used in this paragraph:

6 "County transportation system" means a mass
7 transit system of motorized buses providing regularly
8 scheduled transportation within a county.

9 "Operating contract" or "contract" means a
10 contract to operate and manage a political
11 subdivision's county transportation system, which
12 provides that:

13 (A) The political subdivision shall exercise
14 substantial control over all aspects of the
15 operator's operation;

16 (B) The political subdivision controls the
17 development of transit policy, service
18 planning, routes, and fares; and

19 (C) The operator develops in advance a draft
20 budget in the same format as prescribed for
21 agencies of the political subdivision. The



1 budget must be subject to the same
 2 constraints and controls regarding the
 3 lawful expenditure of public funds as any
 4 public sector agency, and deviations from
 5 the budget must be subject to approval by
 6 the appropriate political subdivision
 7 officials involved in the budgetary process.

8 "Operator" means any person who, pursuant to an
 9 operating contract with a political subdivision,
 10 operates or manages a county transportation system.

11 "Owner" means a political subdivision that owns
 12 or is the lessee of all the properties and facilities
 13 of the county transportation system (including buses,
 14 real estate, parking garages, fuel pumps, maintenance
 15 equipment, office supplies, etc.), and that owns all
 16 revenues derived therefrom;

17 (3) Surcharge taxes on rental motor vehicles imposed by
 18 chapter 251 and passed on and collected by persons
 19 holding certificates of registration under that
 20 chapter;



1 (4) Amounts received by the operator of orchard properties
2 from the owner of the orchard property in amounts
3 equal to and which are disbursed by the operator for
4 employee wages, salaries, payroll taxes, insurance
5 premiums, and benefits, including retirement,
6 vacation, sick pay, and health benefits. As used in
7 this paragraph:

8 "Employee" means an employee directly engaged in
9 the day-to-day operations of the orchard properties
10 and employed by the operator.

11 "Operator" means a producer who, pursuant to a
12 written contract with the owner of the orchard
13 property, operates or manages the orchard property for
14 the owner where the property contains an area
15 sufficient to make the undertaking economically
16 feasible.

17 "Orchard property" means any real property that
18 is used to raise trees with a production life cycle of
19 fifteen years or more producing fruits or nuts having
20 a normal period of development from the initial



1 planting to the first commercially saleable harvest of
2 not less than three years.

3 "Owner" means a fee owner or lessee under a
4 recorded lease of orchard property;

5 (5) Taxes on nursing facility income imposed by chapter
6 346E and passed on and collected by operators of
7 nursing facilities;

8 (6) Amounts received under property and casualty insurance
9 policies for damage or loss of inventory used in the
10 conduct of a trade or business located within the
11 State or a portion thereof that is declared a natural
12 disaster area by the governor pursuant to section 209-
13 2;

14 (7) Amounts received as compensation by community
15 organizations, school booster clubs, and nonprofit
16 organizations under a contract with the chief election
17 officer for the provision and compensation of precinct
18 officials and other election-related personnel,
19 services, and activities, pursuant to section 11-5;

20 (8) Interest received by a person domiciled outside the
21 State from a trust company (as defined in section



1 412:8-101) acting as payment agent or trustee on
2 behalf of the issuer or payees of an interest bearing
3 instrument or obligation, if the interest would not
4 have been subject to tax under this chapter if paid
5 directly to the person domiciled outside the State
6 without the use of a paying agent or trustee; provided
7 that if the interest would otherwise be taxable under
8 this chapter if paid directly to the person domiciled
9 outside the State, it shall not be exempt solely
10 because of the use of a Hawaii trust company as a
11 paying agent or trustee;

12 (9) Amounts received by a management company from related
13 entities engaged in the business of selling interstate
14 or foreign common carrier telecommunications services
15 in amounts equal to and which are disbursed by the
16 management company for employee wages, salaries,
17 payroll taxes, insurance premiums, and benefits,
18 including retirement, vacation, sick pay, and health
19 benefits. As used in this paragraph:

20 "Employee" means employees directly engaged in
21 the day-to-day operation of related entities engaged



1 in the business of selling interstate or foreign
 2 common carrier telecommunications services and
 3 employed by the management company.

4 "Management company" means any person who,
 5 pursuant to a written contract with a related entity
 6 engaged in the business of selling interstate or
 7 foreign common carrier telecommunications services,
 8 provides managerial or operational services to that
 9 entity.

10 "Related entities" means:

11 (A) An affiliated group of corporations within
 12 the meaning of section 1504 (with respect to
 13 affiliated group defined) of the federal
 14 Internal Revenue Code of 1986, as amended;

15 (B) A controlled group of corporations within
 16 the meaning of section 1563 (with respect to
 17 definitions and special rules) of the
 18 federal Internal Revenue Code of 1986, as
 19 amended;

20 (C) Those entities connected through ownership
 21 of at least eighty per cent of the total



1 value and at least eighty per cent of the
 2 total voting power of each such entity (or
 3 combination thereof), including
 4 partnerships, associations, trusts, S
 5 corporations, nonprofit corporations,
 6 limited liability partnerships, or limited
 7 liability companies; and

8 (D) Any group or combination of the entities
 9 described in paragraph (C) constituting a
 10 unitary business for income tax purposes;
 11 whether or not the entity is located within or without
 12 the State or licensed under this chapter; and

13 (10) Amounts received as grants [~~under section 206M-15.~~]
 14 from the University of Hawaii to any business in
 15 Hawaii that:

16 (A) Receives a federal small business innovation
 17 research phase I or II award or contract from any
 18 participating federal agency, up to fifty per
 19 cent of the amount of the federal award or
 20 contract;



- 1 (B) Receives a federal small business technology
- 2 transfer program award or contract from any
- 3 participating federal agency, up to fifty per
- 4 cent of the amount of the federal award or
- 5 contract;
- 6 (C) Receives a federal small business innovation
- 7 research phase III or small business technology
- 8 transfer program phase III award or contract, up
- 9 to fifty per cent of the amount of the award or
- 10 contract funded by private sector or government
- 11 sources outside of the program; or
- 12 (D) Applies for a small business innovation research
- 13 federal grant or a small business technology
- 14 transfer program federal grant, in an amount not
- 15 to exceed \$3,000,
- 16 in order to facilitate the growth and development of
- 17 the commercial technology industry in Hawaii."

18 SECTION 7. Section 304A-1959, Hawaii Revised Statutes, is
 19 amended to read as follows:

20 "**§304A-1959 Biennial report.** No later than twenty days
 21 prior to the convening of the regular session of each odd-



1 numbered year, the University of Hawaii shall submit a report to
2 the legislature concerning:

- 3 (1) All funds deposited into the university innovation and
- 4 commercialization initiative special fund and a
- 5 detailed description of the use of those funds; and
- 6 (2) Coordinated efforts between the innovation and
- 7 commercialization initiative program and other state
- 8 agencies, including the [~~Hawaii technology development~~
- 9 ~~corporation, the Hawaii strategic development~~
- 10 ~~corporation, and the]~~ Hawaii state energy office, to
- 11 move the State's innovation goals forward, and to more
- 12 efficiently and effectively utilize resources to
- 13 achieve these outcomes."

14 SECTION 8. Section 304A-3101, Hawaii Revised Statutes, is
15 amended by amending subsection (b) to read as follows:

16 "(b) The center shall assist the [~~State's Hawaii~~
17 ~~technology development corporation]~~ University of Hawaii in its
18 efforts, shall promote educational, scientific, technological,
19 and literary pursuits in the area of high technology, and shall
20 provide support for the high technology industry in Hawaii in
21 the following manner:



- 1 (1) By fostering scientific and technological interchange
2 between students and scholars of the United States and
3 other nations;
- 4 (2) By encouraging, initiating, aiding, developing, and
5 conducting scientific investigations and research in
6 high technology;
- 7 (3) By encouraging and aiding in the education and
8 training of persons from the United States and other
9 nations for the conduct of such investigations,
10 research, and study;
- 11 (4) By assisting in the dissemination of knowledge by
12 establishing, aiding, and maintaining professorships
13 or other staff positions, fellowships, scholarships,
14 publications, and lectures;
- 15 (5) By other means to make the benefits of investigations,
16 research, and study available to the public; and
- 17 (6) By any and all other acts reasonably designed to
18 further the above purposes in the interest of
19 promoting the general welfare of the people of the
20 State and the mutual understanding between the United
21 States and other nations."



1 SECTION 9. Section 394-8, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) The department shall utilize the resources of the
4 University of Hawaii, including the [~~community college system,~~
5 ~~the Hawaii technology development corporation,~~] University of
6 Hawaii system and other educational and training resources in
7 the public and private sectors throughout the State as may be
8 appropriate to be used to provide preemployment or employment
9 training or on-the-job training for local residents hired by
10 businesses relocating to Hawaii or expanding their local
11 operations. The department may contract for these training
12 needs from public agencies including the various University of
13 Hawaii campuses, private educational institutions, nonprofit
14 corporations, or private entities in order to provide the
15 required training."

16 SECTION 10. Chapter 206M, Hawaii Revised Statutes, is
17 repealed.

18 SECTION 11. Chapter 211F, Hawaii Revised Statutes, is
19 repealed.

20 SECTION 12. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2019-2020 and the
2 same sum or so much thereof as may be necessary for fiscal year
3 2020-2021 for the University of Hawaii to succeed and implement
4 the rights, powers, functions, and duties of the Hawaii
5 technology development corporation and the Hawaii strategic
6 development corporation.

7 The sums appropriated shall be expended by the University
8 of Hawaii for the purposes of this Act.

9 SECTION 13. All rights, powers, functions, and duties of
10 the Hawaii technology development corporation and the Hawaii
11 strategic development corporation in the department of business,
12 economic development, and tourism are transferred to the
13 University of Hawaii.

14 All employees who occupy civil service positions and whose
15 functions are transferred to the University of Hawaii by this
16 Act shall retain their civil service status, whether permanent
17 or temporary. Employees shall be transferred without loss of
18 salary, seniority (except as prescribed by applicable collective
19 bargaining agreements), retention points, prior service credit,
20 any vacation and sick leave credits previously earned, and other
21 rights, benefits, and privileges, in accordance with state



1 personnel laws and this Act; provided that the employees possess
2 the minimum qualifications and public employment requirements
3 for the class or position to which transferred or appointed, as
4 applicable; provided further that subsequent changes in status
5 may be made pursuant to applicable civil service and
6 compensation laws.

7 Any employee who, prior to this Act, is exempt from civil
8 service and is transferred as a consequence of this Act may
9 retain the employee's exempt status, but shall not be appointed
10 to a civil service position as a consequence of this Act. An
11 exempt employee who is transferred by this Act shall not suffer
12 any loss of prior service credit, vacation or sick leave credits
13 previously earned, or other employee benefits or privileges as a
14 consequence of this Act; provided that the employees possess
15 legal and public employment requirements for the position to
16 which transferred or appointed, as applicable; provided further
17 that subsequent changes in status may be made pursuant to
18 applicable employment and compensation laws. The president of
19 the University of Hawaii may prescribe the duties and
20 qualifications of these employees and fix their salaries without
21 regard to chapter 76, Hawaii Revised Statutes.



1 SECTION 14. All appropriations, records, equipment,
2 machines, files, supplies, contracts, books, papers, documents,
3 maps, and other personal property heretofore made, used,
4 acquired, or held by the department of business, economic
5 development, and tourism relating to the functions transferred
6 to the University of Hawaii shall be transferred with the
7 functions to which they relate.

8 SECTION 15. All rules, policies, procedures, guidelines,
9 and other material adopted or developed by the department of
10 business, economic development, and tourism to implement
11 provisions of the Hawaii Revised Statutes which are reenacted or
12 made applicable to the University of Hawaii by this Act shall
13 remain in full force and effect until amended or repealed by the
14 University of Hawaii pursuant to chapter 91, Hawaii Revised
15 Statutes. In the interim, every reference to the department of
16 business, economic development, and tourism or director of
17 business, economic development, and tourism in those rules,
18 policies, procedures, guidelines, and other material is amended
19 to refer to the University of Hawaii or president of the
20 University of Hawaii as appropriate.



1 SECTION 16. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 17. This Act shall take effect on July 1, 2050;
4 provided that section 12 shall take effect on July 1, 2019.



Report Title:

UH; HTDC; HSDC; Appropriation

Description:

Transfers the rights, powers, functions, and duties of the Hawaii Technology Development Corporation and Hawaii Strategic Development Corporation to the University of Hawaii.
Appropriates funds. (HB624 HD1)

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

