

ACT 148

S.B. NO. 709

A Bill for an Act Relating to Economic Development.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that the focal points of Hawaii's economic policy have remained the same for decades: maximize visitor arrivals and spending, encourage strong construction and real estate industries, increase federal funding for military and civilian projects, monitor tax revenues and their impact on public sector

employment, and maintain consistent job growth to keep the unemployment level low. Although these economic policies are still significant to the State's economic development and health, new economic objectives are needed in addition to these traditional policies for Hawaii to succeed in what is today characterized as the "global innovation economy."

The innovation economy requires learning to function in a world that is more technologically advanced, more global, and more knowledge-intensive. In *A New Economy in Hawaii 2005 Indicators and Recommendations* published by the Hawaii Institute for Public Affairs, five policy objectives are identified and recommended for Hawaii to compete in the global marketplace. These policy objectives are:

- (1) Quickly develop high technology industries consisting of profitable and sustainable companies;
- (2) Maximize competitiveness and overall efficiency by infusing all industries with technology;
- (3) Prepare, employ, and retain a strong workforce for the global economy;
- (4) Create a pervasive culture of innovation, initiative, and enterprise; and
- (5) Help Hawaii companies survive and thrive in the global economy.

These new economic policy objectives require proper measurements to enable the State to set benchmarks and goals for Hawaii to grow and prosper in today's global economy.

Between 1998 and 2003, City Bank and *Hawaii Business* magazine targeted nine emerging industries in Hawaii, which represented a combined total of \$2,700,000,000 in expenditures and thousands of new jobs. The combined total growth projections of these emerging industries are roughly comparable to the impact and magnitude of Hawaii's tourism industry and should be measured and developed as an equally significant pillar of Hawaii's economy. With a growing emphasis on stewardship and sustainability from a land use, resource allocation, and developmental perspective, Hawaii cannot afford to continue relying so heavily upon a dominant industry that depends almost exclusively upon fossil fuel-burning transportation (e.g., airline transportation) as the primary means by which Hawaii's millions of visitors arrive.

Currently, the State does not have a consistent means of tracking progress, setting goals, and creating policies to achieve global innovation economy objectives. Data such as service exports, training and education outside of the traditional school system, self-sufficiency wages, job creation, impact of business tax credits, and quality of life indicators all can be used to establish new economic goals and determine priorities for public investments in workforce development and emerging industries development.

The purpose of this Act is to require the department of business, economic development, and tourism to collect, analyze, and disseminate appropriate data to measure the growth industries that have the potential to transform Hawaii's economy and to accelerate their development into more robust pillars of Hawaii's society.

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

"§201- Research and statistics for growth industries. (a) The department shall maintain a program for the purpose of:

- (1) Measuring and analyzing new economic development trends within growth industries such as:
 - (A) Ocean sciences and technology;
 - (B) Biotechnology and life sciences;
 - (C) Astronomy;

- (D) Technology and information services;
 - (E) Film and creative media;
 - (F) Diversified agriculture;
 - (G) Aquaculture; and
 - (H) Specialty tourism;
- (2) Providing economic information to policy makers, the public, and the various growth industries under paragraph (1) for use in setting policies, objectives, and goals. This includes collecting, analyzing, and publishing available data on an annual basis relating but not limited to:
- (A) Economic diversification, income and income distribution, and issues and measures of the State's natural resources in relation to state sustainable economy goals;
 - (B) The technology sector of the State, including but not limited to defining the sector, estimating employment, and compiling available information on patents registered in Hawaii;
 - (C) Technology change in the economy, including but not limited to technical jobs outside the technology sector, and the changing applications of technology in the private economy and government;
 - (D) The technology-based workforce, including but not limited to management, technical, and professional jobs, and technology education and training;
 - (E) Innovation and enterprise, including but not limited to available information on startup companies, venture capital investment, private and government research and development activities, small business innovation research grants, and technology licensing;
 - (F) The dollar value of research and development conducted at, or in association with, the University of Hawaii;
 - (G) Global connections, including but not limited to diversification of export and visitor markets, foreign business travel, and the manufacturing of export products; and
 - (H) Venture capital investments in Hawaii, including but not limited to the size of local venture investments and their annual growth.

(b) The department shall submit to the legislature no later than twenty days prior to the convening of each regular legislative session, a written performance report on the impact of activities of the department and attached agencies that demonstrate their efforts to support, promote, and facilitate the expansion and long-term viability of emerging growth industries including those identified in subsection (a)(1)."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$150,000 or so much thereof as may be necessary for fiscal year 2007-2008 and the sum of \$250,000 or so much thereof as may be necessary for fiscal year 2008-2009 for additional resources, including two permanent full-time equivalent (2.00 FTE) economist positions in the department of business, economic development, and tourism. The purpose of the appropriation is to improve the State's ability to measure the productivity of and progress toward achieving innovation in Hawaii's economy, and to assess the effectiveness of measures enacted by the legislature to improve Hawaii's economic situation.

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

SECTION 4. New statutory material is underscored.¹

SECTION 5. This Act shall take effect on July 1, 2007.

(Approved June 7, 2007.)

Note

1. Edited pursuant to HRS §23G-16.5.