
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 PART I

2 SECTION 1. The chapter established by this part shall be
3 known as The Hawaii Innovations Partnership Act.

4 SECTION 2. The legislature finds that during this robust
5 economy, long-range planning is essential to ensure that
6 Hawaii's economy is diversified, provides high-paying jobs to
7 retain the best and brightest of its children, and can sustain
8 growth into the future. The legislature also finds that
9 emerging Hawaii-based entrepreneurs in the fields of advanced
10 technology, life sciences, and renewable energy represent the
11 future for Hawaii. These types of enterprises are poised at the
12 earliest stages of product development and need public financial
13 support to move to the next level on the road to commercial
14 success.

15 The purpose of this part is to aggressively jump-start a
16 new economy in Hawaii based on advanced technology, life
17 sciences, and renewable energy by establishing a \$100,000,000
18 fund to invest in these entrepreneurial ventures.



1 SECTION 3. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 THE HAWAII INNOVATIONS PARTNERSHIP CORPORATION

6 § -1 Definitions. As used in this chapter, unless the
7 context requires otherwise:

8 "Advanced technology" means new and emerging technology in
9 digital media, telecommunications, sensor and optic technology,
10 and information technologies.

11 "Board" means the board of directors of the Hawaii
12 innovations partnership corporation.

13 "Corporation" means the Hawaii innovations partnership
14 corporation.

15 "Direct investment" means an investment by the corporation
16 in qualified securities of an enterprise to provide capital to
17 the enterprise.

18 "Economic development project" means a commercially viable
19 endeavor related to advanced technology, life sciences, and
20 renewable energy.

21 "Enterprise" means a person with a primary place of
22 business in Hawaii that is engaged in activities relating to the



1 commercial development of a product or service in the fields of
2 advanced technology, life sciences, or renewable energy.

3 "Life sciences" means biology, cancer research, community
4 health care, ocean sciences, agriculture, pharmacology,
5 biotechnology, medical technology, or related fields.

6 "Person" means a sole proprietorship, partnership, joint
7 venture, corporation, or other association of persons organized
8 for commercial or industrial purposes.

9 "Professional investor" means any bank, bank holding
10 company, savings institution, trust company, insurance company,
11 investment company registered under the federal Investment
12 Company Act of 1940, financial services loan company, or other
13 financial institution or institutional buyer, licensee under the
14 federal Small Business Investment Act of 1958, or any person,
15 partnership, or other entity, a substantial amount of whose
16 resources is dedicated to investing in securities or debt
17 instruments, and whose net worth exceeds \$500,000.

18 "Qualified security" means any note, stock, treasury stock
19 bond, debenture, evidence of indebtedness, certificate of
20 interest or participation in any profit-sharing agreement,
21 preorganization certificate of subscription, transferable share,
22 investment contract, certificate of deposit for a security,



1 certificate of interest or participation in a patent or patent
2 application, or in royalty or other payments under such a patent
3 or application, or, in general, any interest or instrument
4 commonly known as a "security" or any certificate for, receipt
5 for, or option, warrant, or right to subscribe to or purchase
6 any of the foregoing.

7 "Renewable energy" means new and emerging technologies to
8 produce electrical energy, without the use of fossil fuels, by
9 wind, solar energy, hydropower, landfill gas, waste to energy,
10 geothermal resources, ocean thermal energy conversion, wave
11 energy, biomass, including municipal solid waste, biofuels, or
12 fuels derived from organic sources, hydrogen fuels derived from
13 renewable energy, or fuel cells where the fuel is derived from
14 renewable sources.

15 "Seed capital" means:

- 16 (1) Financing provided for the earliest stage of business
17 development that enables a project or idea to develop
18 into a business;
- 19 (2) Equity or loan capital provided for a new or existing
20 business undertaking;



1 (3) Funding to develop a concept or product idea to the
2 level at which its practical and commercial viability
3 can be assessed; and

4 (4) Funds invested in new and young companies that have
5 not yet fully established commercial operations.

6 "Venture capital investment" means any of the following
7 investments in a business:

8 (1) Common or preferred stock and equity securities
9 without a repurchase requirement for at least five
10 years;

11 (2) A right to purchase stock or equity securities;

12 (3) Any debenture or loan, whether or not convertible or
13 having stock purchase rights, which are subordinated,
14 together with security interests against the assets of
15 the borrower, by their terms to all borrowings of the
16 borrower from other institutional lenders, and that is
17 for a term of not less than three years, and that has
18 no part amortized during the first three years; and

19 (4) General or limited partnership interests.

20 § -2 **The Hawaii innovations partnership corporation;**

21 **established; purpose.** (a) There is established the Hawaii
22 innovations partnership corporation, which shall be a public



1 body corporate and politic and an instrumentality and agency of
2 the State. The corporation shall be placed within the
3 department of budget and finance for administrative purposes
4 only.

5 (b) The purpose of the corporation shall be to:

- 6 (1) Stimulate economic development in Hawaii in the fields
7 of advanced technology, life sciences, and renewable
8 energy through research and development grants for
9 commercially viable products and services;
- 10 (2) Provide seed capital for entrepreneurial ventures to
11 assist the enterprise toward commercial success;
- 12 (3) Provide business and technical support for funded
13 enterprises to achieve commercial success and
14 independent capitalization;
- 15 (4) Promote high quality, high-income job opportunities
16 for Hawaii's residents and graduates of Hawaii's
17 educational institutions; and
- 18 (5) Manage and preserve the Hawaii innovations partnership
19 special fund to ensure stable funding for projects.

20 § -3 **Board of directors.** (a) The corporation shall be
21 governed by a board of directors consisting of seven voting



1 members to be appointed by the governor for staggered terms
2 pursuant to section 26-34 as follows:

- 3 (1) Three to be appointed directly by the governor;
- 4 (2) Two to be appointed from a list of nominees submitted
5 by the president of the senate; and
- 6 (3) Two to be appointed from a list of nominees submitted
7 by the speaker of the house of representatives.

8 Members shall be selected on the basis of their national
9 academic or industry reputations as experts or industry leaders
10 in the fields of economic diversification and development,
11 venture capital or private equity investing, or technical
12 knowledge in the fields of advanced technology, life sciences,
13 or renewable energy technologies. The director of finance shall
14 serve as an ex officio nonvoting member. No voting member shall
15 be an employee of the State during the member's term of office
16 on the board. All members shall continue in office until their
17 respective successors have been appointed.

18 (b) The chairperson of the board shall be selected by
19 majority vote of the members.

20 (c) Members shall serve without compensation but may be
21 reimbursed for expenses, including travel expenses, incurred in
22 the performance of their duties.



1 (d) The board shall appoint a chief executive officer of
2 the corporation who shall serve at the pleasure of the board and
3 shall be exempt from chapter 76. The board shall set the salary
4 and duties of the chief executive officer.

5 (e) A member shall not participate in any corporation
6 decision to invest in, purchase from, sell to, borrow from, loan
7 to, contract with, or otherwise deal with any person with whom
8 or entity in which the board member has a substantial financial
9 interest.

10 (f) Decisions shall be made by majority vote of a quorum;
11 provided that decisions to reject recommendations from technical
12 advisory committees relating to research and development grants
13 shall be made based on a two-thirds majority vote of the board.
14 A quorum shall consist of four members.

15 § -4 **Funds.** There are established the following
16 revolving funds in the state treasury to be administered by the
17 corporation:

18 (1) The Hawaii innovations partnership special fund. All
19 moneys appropriated by the legislature, received as
20 repayments of loans, earned on investments, received
21 pursuant to a venture agreement, received as
22 royalties, received as premiums or fees charged by the



1 corporation, or otherwise received by the corporation
2 shall be deposited into the Hawaii innovations
3 partnership special fund, which shall be a revolving
4 fund and shall not be considered part of the general
5 fund. The corporation may expend moneys from this
6 fund for the general operating costs of the
7 corporation and costs for professional investor
8 services, as provided in section -6. The balance
9 of this fund shall not be reduced below \$,
10 except by prior authorization of the legislature;

11 (2) The Hawaii innovations partnership research and
12 development fund. Subject to legislative
13 appropriation, the board may transfer from the Hawaii
14 innovations partnership special fund to the Hawaii
15 innovations partnership research and development fund
16 up to \$ for the first year of operation and
17 for each year thereafter an amount not to exceed four
18 per cent of the fiscal year-end balance of the Hawaii
19 innovations partnership special fund. Funds from the
20 Hawaii innovations partnership research and
21 development fund may be expended for:



1 (A) Research and development grants as provided in
2 the research and development grant program under
3 section -5;
4 (B) Costs to administer the research and development
5 grant program; and
6 (C) Costs to provide funded projects with technical
7 business support;
8 and
9 (3) The Hawaii innovations partnership investment fund.
10 Subject to legislative appropriation, the board may
11 transfer from the Hawaii innovations partnership
12 special fund to the Hawaii innovations partnership
13 investment fund, which shall be a revolving fund, up
14 to \$ for the first two years of operation,
15 and for each year thereafter an amount not to exceed
16 fifty per cent of any new funding appropriated by the
17 legislature to the Hawaii innovations partnership
18 special fund or five per cent of the fiscal year-end
19 balance of the Hawaii innovations partnership special
20 fund, whichever is greater; provided that the balance
21 shall not be reduced below \$. Moneys from the



1 Hawaii innovations partnership investment fund may be
2 expended for:

3 (A) Investments as provided in the venture capital
4 investment program under section -6;

5 (B) Costs of administering the venture capital
6 investment program; and

7 (C) Costs of providing funded projects with technical
8 business support.

9 § -5 **Research and development grant program.** The
10 corporation shall establish a research and development grant
11 program to provide seed capital to develop a commercially viable
12 new idea for a product or service in the fields of advanced
13 technology, life sciences, or renewable energy. Grants shall be
14 awarded to Hawaii-based enterprises through a competitive
15 process and reviewed by technical advisory committees with
16 subject matter expertise. Criteria for the award of grants
17 shall include:

18 (1) A market need for the product or service;

19 (2) A commercial viability;

20 (3) Development timeline;

21 (4) Ability to receive matching funds from other sources;

22 and



1 (5) Potential to return, within seven years, revenue or
2 profit sharing, royalties, license fees, or other
3 income equal to three times the amount of the initial
4 grant, and to provide high-paying jobs for residents.

5 The technical advisory committees shall make recommendations to
6 the board on grant awards, which shall be approved by a majority
7 vote of a quorum of the board or rejected by a two-thirds
8 majority of the board. Grants shall not exceed \$250,000 for a
9 project. No additional funding shall be awarded except upon
10 demonstrated progress toward product development and commercial
11 success.

12 **§ -6 Venture capital investment program.** The
13 corporation shall establish a venture capital investment program
14 to fund Hawaii-based enterprises with economic development
15 projects that require seed capital to achieve commercial
16 success. The board shall select professional investors who
17 manage venture capital investment programs through a competitive
18 process and may use technical advisors to evaluate the
19 proposals. Criteria for selection of professional investors
20 shall include:



- 1 (1) A demonstrated ability to provide matching funds for
2 venture capital or private equity investments in
3 Hawaii;
- 4 (2) Having a principal place of business and substantial
5 operations in Hawaii;
- 6 (3) Providing high-paying jobs for Hawaii residents;
- 7 (4) The potential to provide significant returns on
8 investments; and
- 9 (5) Relevant professional expertise, experience,
10 understanding, and commitment necessary to address the
11 capital formation and funding needs of Hawaii's
12 emerging growth enterprises involved in advanced
13 technology, life sciences, and renewable energy.

14 **§ -7 Duty to invest moneys of the Hawaii innovations**
15 **partnership special fund.** The professional investor selected by
16 the board shall invest and manage the Hawaii innovations
17 partnership special fund. The investments shall be in low-risk
18 qualified securities as described in section 36-21, to preserve
19 the fund while providing a reasonable rate of return on the
20 investments to fund the research and development grant and
21 venture capital investment programs. To the extent possible,
22 the professional investor shall have a principal place of



1 business and substantial operations in Hawaii and provide high-
2 paying jobs to Hawaii's residents.

3 § -8 Powers of corporation. (a) The corporation shall
4 have all powers necessary to carry out its purposes, including
5 the power to:

- 6 (1) Adopt rules without regard to chapter 91 to carry out
7 the purposes of this chapter;
- 8 (2) Adopt an official seal;
- 9 (3) Sue and be sued in its own name;
- 10 (4) Enter into contracts and other appropriate
11 arrangements to carry out the research and development
12 grant and venture capital investment programs, and to
13 invest moneys in the Hawaii innovations partnership
14 special fund, as well as other operations of the
15 corporation;
- 16 (5) Contract with experts who can provide advice and
17 technical, marketing and promotional assistance, and
18 support to enterprises in which investments or grants
19 have been made;
- 20 (6) Coordinate the corporation's programs with any
21 education and training program in Hawaii's educational
22 institutions;



- 1 (7) Provide and pay for advisory services and technical,
2 managerial, and marketing and promotional assistance
3 and support as may be necessary or desirable to carry
4 out the purposes of this chapter;
- 5 (8) Acquire, hold, and sell qualified securities;
- 6 (9) Accept donations, grants, bequests, and devises of
7 money, property, service, or other things of value
8 that may be received from the United States or any
9 agency thereof, any governmental agency, or any public
10 or private institution, person, firm, or corporation,
11 to be held, used, or applied for any or all of the
12 purposes specified in this chapter. Receipt of each
13 donation or grant shall be detailed in the annual
14 report of the corporation pursuant to section -13.
15 The report shall include the identity of the donor or
16 lender, the nature of the transaction, and any
17 conditions attaching thereto;
- 18 (10) Acquire, own, hold, dispose of, and encumber personal
19 property of any nature or any interest therein;
- 20 (11) Enter into agreements or other transactions with any
21 federal, state, or county agency;



1 (12) Make contracts and execute all instruments necessary
2 or convenient for the carrying on of its business;

3 (13) Appear in its own behalf before state, county, or
4 federal agencies;

5 (14) Procure insurance as may be necessary;

6 (15) Appoint officers, employees, consultants, agents, and
7 advisors, who shall not be subject to chapter 76, and
8 prescribe their duties and fix their compensation
9 within the limitations provided by law;

10 (16) Appoint technical advisors or advisory committees as
11 deemed necessary; and

12 (17) Exercise any other powers of a corporation organized
13 under the laws of the State.

14 (b) The corporation shall not promise to answer for the
15 debts of any other person.

16 § -9 **Contracts for services necessary for management and**
17 **operation of corporation.** The corporation may contract with
18 others, public or private, for the provision of all or a portion
19 of the services necessary for the management and operation of
20 the corporation. The corporation shall have the power to use
21 all appropriations, grants, contractual reimbursements, and all
22 other funds not appropriated for a designated purpose to pay for



1 the proper general expenses and to carry out the purposes of the
2 corporation. The corporation shall adopt procedures for
3 competitive selection of contractors as required under this
4 chapter and shall not be subject to the state procurement code
5 under chapter 103D.

6 **§ -10 Meetings of the board.** (a) The meetings of the
7 board shall be open to the public as provided in section 92-3;
8 provided that when it is necessary for the board to receive
9 information that is proprietary to a particular enterprise, the
10 disclosure of which might be harmful to the business interests
11 of the enterprise, the board may enter into an executive meeting
12 that is closed to the public.

13 (b) The board shall be subject to the procedural
14 requirements of section 92-4; provided that this authorization
15 to hold closed meetings in accordance with subsection (a) shall
16 be in addition to the exceptions listed in section 92-5, to
17 enable the corporation to respect the proprietary requirements
18 of enterprises with which it has business dealings.

19 **§ -11 Confidentiality of trade secrets or the like;**
20 **disclosure of financial information.** Notwithstanding chapters
21 92, 92F, or any other law to the contrary, any documents or data
22 made or received by any member or employee of the corporation,



1 to the extent that the material or data consist of trade
2 secrets, commercial or financial information regarding the
3 operation of any business conducted by an applicant for, or
4 recipient of, any form of assistance that the corporation is
5 empowered to render, or regarding the competitive position of
6 that applicant in a particular field of endeavor, shall not be a
7 government record; provided that if the corporation purchases a
8 qualified security from an applicant, the commercial and
9 financial information, excluding confidential business
10 information, shall be deemed to become a government record of
11 the corporation. If the information is made or received by any
12 member or employee of the corporation after the purchase of the
13 qualified security, it shall become a government record three
14 years from the date the information was made or received. Any
15 discussion or consideration of trade secrets or commercial or
16 financial information shall be held by the board, or any
17 subcommittee of the board, in executive sessions closed to the
18 public; provided that the purpose of any such executive session
19 shall be set forth in the official minutes of the corporation,
20 and business that is not related to that purpose shall not be
21 transacted, nor shall any vote be taken during the executive
22 sessions.



1 § **-12 Limitation on liability.** Chapters 661 and 662 or
2 any other law to the contrary notwithstanding, nothing in this
3 chapter shall create an obligation, debt, claim, cause of
4 action, claim for relief, charge, or any other liability of any
5 kind whatsoever in favor of any person or entity, without regard
6 to whether that person or entity receives any benefits under
7 this chapter, against the State or its officers and employees.
8 The State and its officers and employees shall not be liable for
9 the results of any investment, purchase of securities, loan, or
10 other assistance provided pursuant to this chapter. Nothing in
11 this chapter shall be construed as authorizing any claim against
12 the corporation in excess of any note, loan, or other specific
13 indebtedness incurred by the corporation or in excess of any
14 insurance policy acquired for the corporation or its employees.

15 § **-13 Annual report.** The corporation shall submit a
16 complete and detailed report of the corporation's activities to
17 the legislature not later than twenty days before the convening
18 of the regular session of 2008, and every year thereafter.

19 § **-14 Audit.** Commencing with the second year of
20 operation, the auditor shall conduct annual audits of the
21 corporation."



1 SECTION 4. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of the amount equal to
3 one-half of one per cent of the general revenues of the State
4 collected in fiscal year 2007-2008 to be deposited into the
5 Hawaii innovations partnership special fund.

6 SECTION 5. There is appropriated out of the Hawaii
7 innovations partnership special fund the sum of the amount equal
8 to one-half of one per cent of the general revenues of the State
9 collected in fiscal year 2007-2008 or so much thereof as may be
10 necessary for fiscal year 2007-2008 to be used for the purposes
11 of this part.

12 The sum appropriated shall be expended by the Hawaii
13 innovations partnership corporation for the purposes of this
14 part.

15 SECTION 6. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of the amount equal to
17 one-half of one per cent of the general revenues of the State
18 collected in fiscal year 2008-2009 to be deposited into the
19 Hawaii innovations partnership special fund.

20 SECTION 7. There is appropriated out of the Hawaii
21 innovations partnership special fund the sum of the amount equal
22 to one-half of one per cent of the general revenues of the State



1 collected in fiscal year 2008-2009 or so much thereof as may be
2 necessary for fiscal year 2008-2009 to be used for the purposes
3 of this part.

4 The sum appropriated shall be expended by the Hawaii
5 innovations partnership corporation for the purposes of this
6 part.

7 SECTION 8. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of the amount equal to
9 one-half of one per cent of the general revenues of the State
10 collected in fiscal year 2009-2010 to be deposited into the
11 Hawaii innovations partnership special fund.

12 SECTION 9. There is appropriated out of the Hawaii
13 innovations partnership special fund the sum of the amount equal
14 to one-half of one per cent of the general revenues of the State
15 collected in fiscal year 2009-2010 to be used for the purposes
16 of this part.

17 The sum appropriated shall be expended by the Hawaii
18 innovations partnership corporation for the purposes of this
19 part.

20 SECTION 10. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of the amount equal to
22 one-half of one per cent of the general revenues of the State



1 collected in fiscal year 2010-2011 to be deposited into the
2 Hawaii innovations partnership special fund.

3 SECTION 11. There is appropriated out of the Hawaii
4 innovations partnership special fund the sum of the amount equal
5 to one-half of one per cent of the general revenues of the State
6 collected in fiscal year 2010-2011 or so much thereof as may be
7 necessary for fiscal year 2010-2011 to be used for the purposes
8 of this part.

9 The sum appropriated shall be expended by the Hawaii
10 innovations partnership corporation for the purposes of this
11 part.

12 PART II

13 SECTION 12. Competing in the global economy will continue
14 to require investment in new technologies and human resources.
15 The traditional measures of success, including growth of the
16 gross domestic product, will continue to be important but will
17 not help the State determine whether or not Hawaii is prepared
18 to compete in the future. To determine how well Hawaii is
19 preparing and using its resources, the legislature recognizes
20 that the State will need to track the effectiveness of training
21 in science, technology, math, engineering, and computer skills.
22 The State will also need to look at levels of investment



1 capital, research, and innovation. Importantly, assurance is
2 needed that the investments made by the State are productive.

3 The Hawaii Institute for Policy Affairs in its *2005 Policy*
4 *Review*, recommended that Hawaii set goals and invest in the
5 collection of data needed to track progress in what it called
6 "new economy" areas. In particular, the Hawaii Institute for
7 Policy Affairs recommended, "collection of new data such as
8 service exports, training, and education outside of the
9 traditional school system, the self-sufficiency wage, job
10 creation, and other impacts of business tax credits, and quality
11 of life indicators." Currently, there are no data on service
12 exports, except for tourism. Such data are expensive and
13 difficult to collect through general surveys. A focused effort
14 is needed to build a database of these and other measures of an
15 innovative economy.

16 Evaluations of economic impacts and growth are the
17 responsibility of the department of business, economic
18 development, and tourism. Economists, whose primary
19 responsibility is the measurement of economic impacts, are a
20 primary resource for conducting economic analyses of existing
21 economic incentive programs.



1 The purpose of this part is to improve the State's ability
2 to measure the productivity of and progress toward achieving
3 innovation in Hawaii's economy as well as to assess the
4 effectiveness of measures enacted by the legislature to improve
5 Hawaii's economic situation by requiring the department of
6 business, economic development, and tourism to accomplish this
7 purpose.

8 SECTION 13. Section 201-3, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§201-3 Specific research and promotional functions of the**
11 **department.** Without prejudice to its general functions and
12 duties the department of business, economic development, and
13 tourism shall have specific functions in the following areas:

14 (1) Industrial development. The department shall
15 ~~determine~~:

16 (A) Determine through technical and economic surveys
17 the profit potential of new or expanded
18 industrial undertakings; ~~develop~~

19 (B) Develop through research projects and other means
20 new and improved industrial products and
21 processes; ~~promote~~



1 (C) Promote an informational program directed to
2 landowners, producers of agricultural and
3 industrial commodities, and the general public
4 regarding the most efficient and most productive
5 use of the lands in the State; and [~~make~~]

6 (D) Make such grants or contracts as may be necessary
7 or advisable to accomplish the foregoing;

8 (3) Credit development. The department shall [~~conduct~~]:

9 (A) Conduct a continuing study of agricultural and
10 industrial credit needs; [~~encourage~~]

11 (B) Encourage the development of additional private
12 and public credit sources for agricultural and
13 industrial enterprises; [~~promote~~]

14 (C) Promote an informational program to acquaint
15 financial institutions with agricultural and
16 industrial credit needs and the potential for
17 agricultural and industrial expansion, and inform
18 producers of agricultural and industrial products
19 as to the manner in which to qualify for loans;
20 and [~~make~~]

21 (D) Make such grants or contracts as may be necessary
22 or advisable to accomplish the foregoing;



- 1 (4) Promotion. The department shall disseminate
2 information developed for or by the department
3 pertaining to economic development to [~~assist~~]:
4 (A) Assist present industry in the State[~~, attract~~];
5 (B) Attract new industry and investments to the
6 State[~~,~~]; and [~~assist~~]
7 (C) Assist new and emerging industry with good growth
8 potential or prospects in jobs, exports, and new
9 products.

10 The industrial and economic promotional activities of
11 the department may include the use of literature,
12 advertising, demonstrations, displays, market testing,
13 lectures, travel, motion picture and slide films, and
14 such other promotional and publicity devices as may be
15 appropriate; [~~and~~]

16 (5) Tourism research and statistics. The department shall
17 maintain a program of research and statistics for the
18 purpose of:

- 19 (A) Measuring and analyzing tourism trends;
20 (B) Providing information and research to assist in
21 the development and implementation of state
22 tourism policy;



- 1 (C) Encouraging and arranging for the conduct of
2 tourism research and information development
3 through voluntary means or through contractual
4 services with qualified agencies, firms, or
5 persons; and
- 6 (D) Providing tourism information to policy makers,
7 the public, and the visitor industry. This
8 includes:
- 9 (i) Collecting and publishing visitor-related
10 data, including visitor arrivals, visitor
11 characteristics, and expenditures;
- 12 (ii) Collecting and publishing hotel-related
13 statistics, including the number of units
14 available, occupancy rates, and room rates;
- 15 (iii) Collecting and publishing airline-related
16 data, including seat capacity and number of
17 flights;
- 18 (iv) Collecting information and conducting
19 analyses of the economic, social, and
20 physical impacts of tourism on the State;
- 21 (v) Conducting periodic studies of the impact of
22 ongoing marketing programs of the Hawaii



1 tourism authority on Hawaii's tourism
2 industry, employment in Hawaii, state taxes,
3 and the State's lesser known and
4 underutilized destinations; and

5 (vi) Cooperate with the Hawaii tourism authority
6 and provide it with the above information in
7 a timely manner[-];

8 and

9 (6) Assessing the effectiveness of economic development
10 initiatives, specifically related to the innovation
11 economy proposals in Acts , , and ."

12 SECTION 14. Section 383-95, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§383-95 Disclosure of information.** (a) Except as
15 otherwise provided in this chapter, information obtained from
16 any employing unit or individual pursuant to the administration
17 of this chapter and determinations as to the benefit rights of
18 any individual shall be held confidential and shall not be
19 disclosed or be open to public inspection in any manner
20 revealing the individual's or employing unit's identity. Any
21 claimant (or the claimant's legal representative) shall be
22 supplied with information from the records of the department to



1 the extent necessary for the proper presentation of the
2 claimant's claim in any proceeding under this chapter. Subject
3 to such restrictions as the director may by rule prescribe, and
4 costs incurred in furnishing the information are reimbursed to
5 the department and all safeguards are established as are
6 necessary to ensure that information furnished by the department
7 is used only for authorized purposes, the information and
8 determinations may be made available to:

- 9 (1) Any federal or state agency charged with the
10 administration of an unemployment compensation law or
11 the maintenance of a system of public employment
12 offices;
- 13 (2) The Bureau of Internal Revenue of the United States
14 Department of Treasury;
- 15 (3) Any federal, state, or municipal agency charged with
16 the administration of a fair employment practice or
17 anti-discrimination law;
- 18 (4) Any other federal, state, or municipal agency if the
19 director deems that the disclosure to the agency
20 serves the public interest; and
- 21 (5) Any federal, state, or municipal agency if the
22 disclosure is authorized under section 303 of the



1 Social Security Act and section 3304 of the Internal
2 Revenue Code of 1986, as amended.

3 (b) Information obtained in connection with the
4 administration of the employment service may be made available
5 to persons or agencies for purposes appropriate to the operation
6 of a public employment service.

7 (c) Upon requests [~~therefore~~] therefor, the department
8 shall furnish to any agency of the United States charged with
9 the administration of public works or assistance through public
10 employment, and may furnish to any state agency similarly
11 charged, the name, address, ordinary occupation, and employment
12 status of each recipient of benefits and the recipient's rights
13 to further benefits under this chapter.

14 (d) The department may request the comptroller of the
15 currency of the United States to cause an examination of the
16 correctness of any return or report of any national banking
17 association rendered pursuant to this chapter, and may in
18 connection with the request transmit any of the report or return
19 to the comptroller of the currency of the United States as
20 provided in section 3305(c) of the federal Internal Revenue
21 Code.



1 Hawaii's John A. Burns school of medicine, and related
2 bioscience research institutions.

3 There are local fledgling start-up high technology
4 companies trying to attain required financing. Once they
5 achieve such financing, it is critical that they commit their
6 core capital to research rather than have the core capital tied
7 up in onerous credit enhancement tools, such as security
8 deposits or letters of credit required by the lending community
9 to finance complex and expensive wet laboratory infrastructure
10 developments. A guaranty of the lease agreement by the State
11 for the high technology development corporation to lease a
12 portion of the Asia Pacific International Research Center will
13 reduce the risk and cost of this unique project for these start-
14 up companies and thereby provide the necessary initial boost to
15 Hawaii's life science industry.

16 The statutory purpose and mission of the corporation is to
17 grow Hawaii's high technology industry, including its fledging
18 life science industry. For the high technology development
19 corporation to grow these technology industries, it must be able
20 to provide incubator and laboratory facilities to qualified
21 start-up companies.



1 The project allows the State to become proactive in growing
2 incubation and innovation space without the burden or cost of
3 constructing the building.

4 Kamehameha Schools is committed to redeveloping other
5 buildings in the area to support innovation industries. Phase
6 two of Kamehameha Schools' development more than doubles
7 innovation space in Kakaako for future cluster growth,
8 ultimately resulting in a total of four hundred thousand square
9 feet of laboratory and office space dedicated to the technology
10 industry. The ninety-nine thousand square feet of the Asia
11 Pacific International Research Center represents less than
12 twenty-five per cent of the total Kamehameha Schools development
13 in Kakaako.

14 The negotiations between the high technology development
15 corporation and the department of budget and finance with
16 Kamehameha Schools or Kajima Urban Development International, or
17 both, and Phase 3 Properties shall consider as a means to
18 reducing cost to the State:

- 19 (1) An estimated \$80,000,000 in private sector investment;
20 (2) The reasonable application of amounts that result from
21 a \$28,000,000 federal new market tax credit to reduce
22 the State's rental costs;



- 1 (3) The replacement of incubation and innovation space
2 when the high technology development corporation land
3 lease agreement with the University of Hawaii for the
4 Manoa innovation center expires in ten years;
- 5 (4) The speed at which the private sector is able to
6 construct new projects, particularly wet laboratories;
- 7 (5) A monetary contribution in the form of a lease reserve
8 fund by Kamehameha Schools, Kajima Urban Development
9 International, and Phase 3 Properties to reduce the
10 effective cost of the lease agreement to the State for
11 ten years;
- 12 (6) Commitments by Kamehameha Schools or Kajima Urban
13 Development International and Phase 3 Properties to
14 pre-lease two-thirds of the space to the State;
- 15 (7) Enhancements that accrue or result from this
16 development; and
- 17 (8) Any and all other appropriate considerations as
18 determined by the high technology development
19 corporation and department of budget and finance.

20 SECTION 16. The high technology development corporation,
21 with assistance from the department of business, economic
22 development, and tourism, shall negotiate with the developers, a



1 lease agreement on terms acceptable and satisfactory to the
2 corporation's board of directors and the director of finance,
3 including a lease guaranty for a period of ten years for
4 approximately ninety-nine thousand square feet of laboratory and
5 office space in the Asia Pacific International Research Center
6 in Kakaako.

7 SECTION 17. The provisions of this part are not intended
8 to, nor shall they restrict or constrain the lease negotiations
9 of the high technology development corporation and the
10 department of budget and finance with the developers and owners
11 of the Asia Pacific International Research Center. The use of
12 the funds shall be for the purposes provided herein, but the
13 expenditure of the funds shall be at the discretion of the
14 director of finance.

15 PART IV

16 SECTION 18. The legislature finds that the digital media
17 industry is a fast-growing niche between the film and technology
18 industries that has begun to emerge in Hawaii as the result of
19 key natural and invested resources in the State. Hawaii's
20 environment is especially suited for this low-polluting industry
21 that creates high-skill, high-paying jobs.



1 Digital media activities include digital filmmaking and
2 visual effects, television and feature film pre-production and
3 post-production, sound design, interactive video game
4 development, computer animation, creative software design,
5 dynamic web design, and distribution.

6 This growth industry requires a local incubator facility to
7 provide a cohesive and integrated site for developing Hawaii's
8 digital media infrastructure for film and television productions
9 and interactive game development. This incubator would be a
10 state-of-the-art mixed use facility that combines industry,
11 government, and academic entities. In addition to providing a
12 collaborative learning environment for students, faculty, and
13 professionals in the field, the facility will serve as an
14 incubator for digital media businesses and as a research and
15 development lab for the creation of intellectual property.

16 SECTION 19. The department of business, economic
17 development, and tourism, in coordination with the University of
18 Hawaii, shall oversee the leasing, operating, and maintenance of
19 a digital media incubator facility. The department may enter
20 into contracts with other government agencies, the county
21 economic development boards, other nonprofit organizations, or
22 for-profit firms for the purpose of the program.



1 The facility shall be leased to a mix of anchor tenants, virtual
2 tenants, and project-based tenants. The facility should contain
3 a mix of workstations, conference rooms, private offices, a
4 common lounge and kitchen area, a reception area, secure air-
5 conditioned server rooms, and possibly a small soundstage for
6 stop-motion animation, a 3D modeling and printing center, and
7 other more spatially dependent projects.

8 For the purposes of this section:

9 "Anchor tenants" means digital media companies with a
10 regular cash flow that need a fixed address and would benefit
11 from sharing a common environment with other digital media
12 companies.

13 "Project-based tenants" means television and film
14 production teams that need to lease space for a finite amount of
15 time to complete a particular project.

16 "Virtual tenants" means less developed companies with
17 uneven cash flow that are just starting out and may need a place
18 to do business from time to time.

19 PART V

20 SECTION 20. The purpose of this part is to establish at
21 Honolulu community college a support and training system to be
22 known as the music and enterprise learning experience program to



1 develop the technical business skills required by Hawaii's
2 artists and music industry.

3 Hawaii's music industry is a growing segment of Hawaii's
4 creative industries sector, with a growing popularity reaching
5 far beyond the shores of our island state. Full recognition of
6 the merits of Hawaiian music came in 2005 when the National
7 Academy of Recording Arts and Sciences announced the creation of
8 a Hawaiian music category in its annual Grammy Awards, the
9 world's most prestigious music awards program.

10 It has long been noted that while Hawaii has an unusually
11 high concentration of raw musical talent and industry
12 professionals, it lacks the technical support infrastructure to
13 assist individuals in the progression of their careers and
14 businesses.

15 Honolulu community college has been working to build
16 alliances with national and local members of the entertainment
17 industry for the music and enterprise learning experience
18 program. The music and enterprise learning experience program
19 combines short-term professional training workshops, songwriter
20 seminars, an associate degree program in music business and
21 production, and a transfer program that allows students to
22 matriculate in Belmont University's music and entertainment



1 management programs, one of the premier music and entertainment
2 educational programs in the nation.

3 SECTION 21. There is established at the University of
4 Hawaii's Honolulu community college campus the music and
5 enterprise learning experience program to expand the existing
6 industry capacity, and to create new technological,
7 intercultural, and genre-bending forms of music through
8 creativity and professional business expertise. The music and
9 enterprise learning experience program shall be developed around
10 three primary components: artist creativity, entertainment
11 business expertise, and technical production skills. The
12 program shall collaborate with Belmont University on the joint
13 use of their curriculum, technical facilities and equipment
14 specifications, training, dual credit course offerings, and
15 shall also offer internships in some of the most varied music
16 environments in the world.

17 The program will be seeded through a title III Developing
18 Institutions grant that has been awarded to Honolulu community
19 college's native Hawaiian center, and shall provide for some
20 basic program development of course offerings in coordination
21 with Belmont University.

22 PART VI



1 SECTION 22. Universities that generate new knowledge and
2 discoveries can be important contributors in developing a
3 state's technology-based economy. But for a university to make
4 that contribution, there must be effective mechanisms to move
5 innovation into the marketplace. At the University of Hawaii,
6 commercialization assistance is provided by the office of
7 technology transfer and economic development. Activities
8 include securing patents, seeking licensing opportunities, and
9 assisting university researchers to transform ideas and
10 innovations into products ready for commercialization. The
11 office of technology transfer and economic development's ability
12 to fulfill its mandate would be enhanced by collaboration with
13 commercialization experts and funding from the private sector.

14 The purpose of this part is to enhance the ability of the
15 office of technology transfer and economic development to
16 increase commercialization of the University of Hawaii's
17 discoveries by providing funds to the department of business,
18 economic development, and tourism to fund a partnership with a
19 qualified and experienced private-sector entity to work with the
20 office of technology transfer and economic development. This
21 partnership shall provide the University of Hawaii with
22 resources and expertise to increase the number of discoveries



1 disclosed and the number of partnerships and arrangements to
2 commercialize those discoveries. The department of business,
3 economic development, and tourism, the private-sector partner,
4 and the University of Hawaii shall contribute to this
5 commercialization joint venture, and the private-sector partner
6 and the University of Hawaii shall share in the returns from
7 their efforts.

8 PART VII

9 SECTION 23. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2007-2008 and
12 the sum of \$ or so much thereof as may be necessary
13 for fiscal year 2008-2009 for the purposes of improving the
14 State's ability to measure the productivity of and progress
15 toward achieving innovation in Hawaii's economy as well as to
16 assess the effectiveness of measures enacted by the legislature
17 to improve Hawaii's economic situation. Of the sums
18 appropriated, \$ in fiscal year 2007-2008 and \$
19 in fiscal year 2008-2009 shall be for the purpose of hiring two
20 permanent full-time equivalent economist positions in the
21 department of business, economic development, and tourism.



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

4 SECTION 24. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2007-2008 and
7 the sum of \$ or so much thereof as may be necessary
8 for fiscal year 2008-2009 for the lease agreement and guaranty
9 between the high technology development corporation and the
10 developers or owners of the Asia Pacific International Research
11 Center.

12 The sums appropriated shall be expended by the high
13 technology development corporation, an agency administratively
14 attached to the department of business, economic development,
15 and tourism for the purposes of part III of this Act.

16 SECTION 25. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$ or so
18 much thereof as may be necessary for fiscal year 2007-2008 and
19 the sum of \$ or so much thereof as may be necessary
20 for fiscal year 2008-2009 for the purpose of facility
21 improvements, equipment purchase, leasing, operating, and
22 maintaining a digital media incubator facility.



1 Of the sums appropriated:

2 (1) \$ in fiscal year 2007-2008 and \$
3 in fiscal year 2008-2009 shall be expended by the
4 department of business, economic development, and
5 tourism for the purposes of part IV of this Act; and

6 (2) \$ in fiscal year 2007-2008 and \$
7 in fiscal year 2008-2009 shall be expended by the
8 University of Hawaii's Honolulu community college for
9 the purposes of part IV of this Act.

10 SECTION 26. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so
12 much thereof as may be necessary for fiscal year 2007-2008 and
13 the sum of \$ or so much thereof as may be necessary
14 for fiscal year 2008-2009 to carry out the purpose of leasing,
15 operating, and maintaining a music and entertainment business
16 training center.

17 The sums appropriated shall be expended by the University
18 of Hawaii's Honolulu community college for the purposes of part
19 V of this Act.

20 SECTION 27. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so
22 much thereof as may be necessary for fiscal year 2007-2008 and



1 the sum of \$ or so much thereof as may be necessary
2 for fiscal year 2008-2009 for the public-private university
3 research commercialization partnership.

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

7 SECTION 28. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 29. This Act shall take effect on July 1, 2034.



Report Title:

Innovations Research and Development; Capital Investments

Description:

Establishes the Hawaii innovations partnership corporation to provide research and development grants and to invest in enterprises in advanced technology, life sciences, and renewable energy fields. Improves the State's ability to measure productivity and growth of the economy. Supports the operations and programs of a State operated technology incubator and innovation center in Kakaako. Establishes a local incubator facility for digital media infrastructure for film and TV productions and interactive game development. Establishes a music industry program at Honolulu Community College (MELE). Provides funds which allows the UH Office of Technology Transfer and Economic Development to enter into a partnership with a private sector entity. (HB338 HD2)

