

Honolulu, Hawaii

MAR 24 2006

RE: H.B. No. 2181
H.D. 2
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Media, Arts, Science, and Technology and Business and Economic Development, to which was referred H.B. No. 2181, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

beg leave to report as follows:

The purpose of this measure is to support the growth of the high-technology industry in the State.

The measure accomplishes this purpose by:

- (1) Establishing the Hawaii Innovations Partnership Corporation to:
 - (A) Provide research and development grants; and
 - (B) Invest in enterprises in the fields of advanced technology, life sciences, and renewable energy; and
- (2) Appropriates \$100,000,000 for this purpose.

At a previous public hearing, your Committees circulated a proposed Senate Draft of the measure (proposed S.D. 1). The proposed S.D. 1 deleted the substantive contents of the measure and replaced it with provisions that:



- (1) Establish a reworked but substantially similar version as in the H.D. 2 of the research and development grant program, named the Innovations Research and Development Grant Program, and place it within the High Technology Development Corporation; and
- (2) Combine the High Technology Development Corporation and the Hawaii Strategic Development Corporation into one entity by incorporating the majority of the Hawaii Strategic Development Corporation's statutes into a new subpart of the High Technology Development Corporation's chapter in the Hawaii Revised Statutes.

The Department of Business, Economic Development, and Tourism, University of Hawaii's University Connections program, the High Technology Development Corporation, and a private citizen submitted testimony in support of the proposed S.D. 1. The Hawaii Science and Technology Council, Energy Industries, Hawaii Biotech, Inc., Nanopoint, Inc., Hawaii Venture Capital Association, the tax director of PricewaterhouseCoopers, HR Biopetroleum, Hawaii Crop Improvement Association, and the Hawaii Technology Development Venture testified in support of the intent of the proposed S.D. 1, with concerns. Enterprise Honolulu, Pacificap Group, and the International Venture Fund testified in opposition to the proposed S.D. 1 and in support of the H.D. 2 version of the measure.

Your Committees have amended the proposed S.D. 1 by:

- (1) Requiring the Innovations Research and Development Grant Program to provide technical business support to projects funded by the grant program;
- (2) Reducing the size of the newly combined entity's board of directors from seventeen to fifteen and making the President of the University of Hawaii or the President's representative an ex-officio voting member of the High Technology Development Corporation's Board of Directors;
- (3) Requiring that the High Technology Development Corporation be subject to an annual audit by an independent auditor;
- (4) Reworking segments of the measure to ensure that conflicts of interest do not arise in the performance of



the newly combined entity's duties and investment practices;

- (5) Renaming the Hawaii Technology Loan Revolving Fund the High Technology Research and Grant Special Fund and using it to fund the Innovations Research and Development Grant Program;
- (6) Transferring the Hawaii Strategic Development Corporation Revolving Fund to the newly combined entity and renaming it the High Technology Investment Fund;
- (7) Establishing a chief investment officer position for the newly combined entity and making additional amendments to ensure continuity of the strategic development program and its investments; and
- (8) Making technical, nonsubstantive changes for clarity, consistency, and style.

Your Committees note that, in crafting this amended measure, your Committees are not inventing new processes or creating new entities. Rather, your Committees are streamlining existing processes and combining entities that share the similar focus of nurturing and invigorating Hawaii's high technology-related sectors. Your Committees further note that, although the H.D. 2 version of the measure did appropriate \$100,000,000 to the corporation it created for high technology investment, the H.D. 2 did not appropriate any funds to the Hawaii Strategic Development Corporation, the currently existing entity that could immediately invest such moneys in high technology ventures. Your Committees believe that their amended version would provide a more immediate and direct benefit to Hawaii's high technology sector, without subjecting the private sector to the machinations of establishing another quasi-public entity to promote high technology development in the State.

Your Committees have left the investment ceilings and monetary amounts in the measure unspecified since your Committees believe that these issues are within the purview of the Committee on Ways and Means. However, your Committees note that the Committees intend to pursue the five-year funding mechanism that was originally contained in the House proposal and are currently exploring additional funding sources to ensure the long-term viability of the high technology investment program.



As affirmed by the records of votes of the members of your Committees on Media, Arts, Science, and Technology and Business and Economic Development that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2181, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2181, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Media, Arts,
Science, and Technology and
Business and Economic
Development,



WILL ESPERO, Chair



CAROL FUKUNAGA, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Media, Arts, Science and Technology
(Bills and Resolutions)

Measure:* HB 2181 HDZ	Committee Referral: MAT/BED, WAM	Date: 3/21/2006		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <input type="checkbox"/> Pass, unamended (2312) <input checked="" type="checkbox"/> Pass, with amendments (2311) <input type="checkbox"/> Hold (2310) <input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
FUKUNAGA, Carol (C)	✓			
IGE, David Y. (VC)	✓			
ENGLISH, J. Kalani				✓
IHARA, Jr., Les				✓
HOGUE, Bob		✓		
TOTAL	2	1		2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Amil Y. Ige</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Do not list more than one measure per Record of Votes.

