

Honolulu, Hawaii

FEB 12 2007

RE: S.B. No. 1688
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 1688 entitled:

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

begs leave to report as follows:

The purpose of this measure is to establish a supplemental grant program of \$10,000,000, for follow-on research and development project funding for Hawaii-based small businesses that received federal funding in fiscal year 2007 through the Hawaii Technology Development Venture or the National Defense Center of Excellence for Research in Ocean Sciences.

Testimony in support of this measure was received from the Department of Business, Economic Development, and Tourism; High Technology Development Corporation; National Defense Center of Excellence for Research in Ocean Sciences; University of Hawaii Office of Technology Transfer and Economic Development; Hawaii Science and Technology Council; Hawaii Venture Capital Association; Ambient Micro; Applied Marine Solutions; Archinoetics, LLC; Cellular Bioengineering, Inc.; Concurrent Analytical, Inc.; HR Biopetroleum, Inc.; Kuehnle AgroSystems Company, LLC; Kona Labs Inc.; BDI Maritime; Navatek, Ltd.; NovaSol; Oceanit; Pacific LightNet; Pipeline Communications and Technology, Inc.; Referentia Systems Incorporated; SEE/RESCUE Corporation; Technical Research Associates, Inc.; and Williams Aerospace, Inc.



Your Committee has heard that both the Hawaii Technology Development Venture (HTDV) and the National Defense Center of Excellence for Research in Ocean Sciences (CEROS) support technology-based companies in Hawaii, providing both funding and business services that fledgling businesses need to succeed. Both are rigorous programs that solicit, evaluate, and select for funding ten to twenty projects annually from scores of ideas submitted for consideration. Competition is intense, but the rigorous selection process assures quality results and real growth of technical capacity.

Your Committee has also heard from many of the companies funded through HTDV and CEROS, and about their struggles to move from research and development into the commercialization stage. This middle stage is often the most critical in determining long-term success, but it is also the phase with very limited sources of outside funding.

Your Committee finds that the program proposed in this measure would contribute significantly to Hawaii's emerging technology-related industries, and at the same time, leverage federal funding and private investments in Hawaii companies.

Your Committee notes that the issues raised during the hearing, such as ensuring companies stay in Hawaii, are addressed in the amended language of the bill. It is the intent of your Committee to support this measure and to encourage continued discussion.

Your Committee has amended this measure accordingly, by:

- (1) Adding language in the findings and purpose section regarding federal funding of Hawaii companies;
- (2) Deleting the \$10,000,000 appropriation throughout or changing it to an unspecified amount;
- (3) Changing the expending agency from the Department of Business, Economic Development, and Tourism to the Hawaii Strategic Development Corporation;
- (4) Deleting the requirement that a project that received funding through HTDV or CEROS shall have received funding in 2007;



- (5) Changing "grant" to "award" throughout and clarifying that the purpose of the awards shall be for technology development, transition, and commercialization;
- (6) Requiring HTDV and CEROS to subcontract with selected companies and provide program oversight;
- (7) Requiring a company receiving an award to perform a substantial portion of the funded work in Hawaii;
- (8) Deleting the cost-plus-fee budget requirements and specifying that the budgets shall be submitted under parameters set forth by HTDV and CEROS;
- (9) Requiring agreements with companies to be in accordance with existing HTDV and CEROS contracting requirements;
- (10) Clarifying that from the unspecified appropriations in each fiscal year:
 - (A) HTDV shall expend \$500,000, for project oversight of its awardees, and for technical and business support for awardees of HTDV and CEROS; and
 - (B) CEROS shall expend \$200,000, for project oversight of its awardees; and
- (11) Requiring HTDV and CEROS to submit reports to the Hawaii Strategic Development Corporation, which shall in turn submit them to the Legislature, beginning in 2008, and annually thereafter until all moneys are expended.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1688, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1688, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:
<i>SB 1688</i>	<i>EDT, WAM</i>	<i>2/8/07</i>
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<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	Aye	Aye (WR)
Nay	Excused	
FUKUNAGA, Carol (C)	/	
ESPERO, Will (VC)	/	
ENGLISH, J. Kalani	/	
IGE, David Y.	/	
SLOM, Sam	/	
TOTAL	5	
Recommendation:		
<input checked="" type="checkbox"/> Adopted	<input type="checkbox"/> Not Adopted	
Chair's or Designee's Signature:		
<i>Will Espero</i>		
Distribution:	Original File with Committee Report	Yellow Clerk's Office
		Pink Drafting Agency

*Only one measure per Record of Votes