

STAND. COM. REP. NO.

282

Honolulu, Hawaii

Feb 9, 2007

RE: H.B. No. 1279
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committees on Economic Development & Business Concerns and Higher Education, to which was referred H.B. No. 1279 entitled:

"A BILL FOR AN ACT RELATING TO THE INNOVATION ECONOMY,"

beg leave to report as follows:

The purpose of this bill to lay the foundation for an innovation economy by:

- (1) Establishing the Hawaii Innovation Investment Fund, a professionally-managed fund of funds in which the Employees' Retirement System may invest moderate amounts in Hawaii venture capital;
- (2) Improving the State's ability to measure the productivity of and establish benchmarks for the growth of Hawaii's economy;
- (3) Supporting the operations and programs of a state-operated technology incubator and innovation center in the Kaka'ako district of Honolulu;
- (4) Establishing a local incubator facility to develop Hawaii's digital media infrastructure for film and television productions and interactive game development;



- (5) Establishing the Music and Enterprise Learning Experience Program at the University of Hawaii (UH) - Honolulu Community College to develop the technical and business skills required by Hawaii's artists and music industry; and
- (6) Enhancing the ability of UH's Office of Technology Transfer and Economic Development to increase commercialization and the number of licensing agreements through a partnership with a qualified and experienced private sector entity.

Testimony in support of this bill was submitted by the Governor, Department of Business, Economic Development, and Tourism (DBEDT), High Technology Development Corporation, Hawaii Science and Technology Council, Kamehameha Schools, Concurrent Analytical, Inc. and Nanoparts Inc., Applied Marine Solutions, Ted Wong Consulting, Cardax Pharmaceuticals, Ambient Micro, LLC, KUD International LLC, Phase 3 Properties, Inc., Honolulu Seawater Air Conditioning, LLC, Oceanic Imaging Consultants Inc., Economic Development Alliance of Hawaii, National Defense Center of Excellence for Research in Ocean Sciences, Skinner Entertainment, SEE/RESCUE Corporation, and numerous concerned individuals. The University of Hawaii, Hawaii Venture Capital Association, Simonpietri Enterprises, Farnsworth Consulting, and a concerned individual supported the intent of the bill. The Employees' Retirement System (ERS) commented on the bill.

Your Committees heard testimony that the overall goal of the bill is to improve the quality of life in Hawaii through higher quality, and higher paying jobs. The initiatives in the bill do so by capitalizing on the State's prior efforts that have supported the emergence of innovation sector companies such as Hawaii Biotech and Hoku Scientific, while initiating new efforts, such as the Music and Enterprise Learning Experience Program for the development of Hawaii's music artists and industry. The bill also provides the later-stage financing required to grow Hawaii's emerging innovation companies and allow them to remain in Hawaii.

Your Committees heard testimony that a key component of this bill enables measurement of the success or failure of the bill's proposals. Each proposal has clear, measurable goals, and the bill provides two positions and funding that will allow DBEDT to evaluate the success of this measure. Creating this capability in DBEDT will also allow the State to build a database of measures



that will help the State determine the effectiveness of this and other efforts to transform and develop our economy.


Your Committees find that the members are concerned about the impact that investment of ERS funds under this bill will have on the ERS system, especially in light of ERS' inability to review and take a position on the bill. Other concerns included the lack of collaboration with the Legislature in developing the bill, the State's potential liability under the bill, whether the bill would be duplicative of Hawaii Strategic Development Corporation's role, and the failure to take advantage of existing and underutilized performance facilities in Windward Community College. Your Committees believe that there is a need for further dialog on this measure.

Your Committees have amended this bill by:

- (1) Changing the \$100,000,000 that the bill requires ERS to allocate for Hawaii venture capital investments, to \$1, to encourage further discussion of this issue; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Economic Development & Business Concerns and Higher Education that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1279, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1279, H.D. 1, and be referred to the Committee on Labor & Public Employment.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development & Business Concerns
and Higher Education,



JERRY L. CHANG, Chair



KYLE T. YAMASHITA, Chair



